Bakewell Report

WOODLOT LICENCE STUDY

MAY 1988

REGISTERED ISSUE NO.

FOR

MINISTRY OF FORESTS AND LANDS

VICTORIA, B.C.

BY

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KEY MAP

REGIONAL FOREST DISTRICTS

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May 9, 1988

Ministry of Forests and Lands
1450 Government Street
Victoria, B.C.
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Attention: Mr. T.E. Lee
Assistant Deputy Minister
Timber and Land Marketing

RE: WOODLOT LICENCE STUDY

Dear Sirs:

As requested, the Writer investigated the subject of Woodlot Licences in accordance with the Terms of Reference dated February, 1988.

The following report outlines the work undertaken, the findings, conclusions, and supporting data.

In summary, the principal conclusions and recommendations of the Writer are:

1.. OBJECTIVES AND ADMINISTRATION OF THE WOODLOT LICENCE PROGRAM:

CONCLUSIONS:

The objectives of the Woodlot Licence Program are good and with small amendments can be used for expanding the Program.

RECOMMENDATIONS:

1. The original objectives of the Woodlot Licence Program are still applicable. With minor amendments and emphasis on priorities, the objectives can continue to provide guidelines for awarding more Woodlot Licences.

2. The awarding of Woodlot Licences on the basis of Bonus Bids should be abolished.

2.. COMPARISONS OF WOODLOT LICENCES WITH OTHER TENURES:

CONCLUSIONS:

1. The Woodlot Licence is comparable in contractual obligations to other Major Tenures and not comparable to the Small Business Enterprise Sales.

2. The intent of the Woodlot Licence is for small scale production in contrast to high production of most other tenures.

3. A principal objective of the Woodlot Licence is the supplementing of incomes to bonafide established local residents.

RECOMMENDATION:

The Woodlot Licence is a unique form of tenure and must be treated on its own merits.

3.. **LOGGING METHODS AND COSTS:**

CONCLUSIONS:

1. The low production objective of a Woodlot Licence does not permit economies of scale enjoyed by other Major Tenures like Tree Farm Licences and Forest Licences.

2. The Woodlot Licence Program has limited opportunities for profitability compared to Small Business Enterprise Sales because of large contractual obligations absorbed by the Ministry.

RECOMMENDATION:

The Woodlot Licence should not be compared with other tenures.

4.. VIABILITY OF THE WOODLOT LICENCE PROGRAM:

CONCLUSION:

Many Woodlot Licences are barely viable because of low annual allowable cuts, high initial development costs, high operating costs, and limited or non-competitive markets.

RECOMMENDATIONS:

1. The size limit of 400 hectares should be amended to be 400 hectares of productive forest land.

2. Woodlot Licences having poor distribution of age classes or withdrawals for environmental constraints should be amended by substituting a better distribution of productive forest types from neighboring areas.

3. The cut control for a Woodlot Licence should be rigidly enforced, with the maximum cut control periods being no longer than 3 years during periods of distress markets, adverse operating conditions, or Licensee difficulties.

4. Stumpage appraisals for Woodlot Licences should be site specific with audited costs.

5. The Ministry should consider setting fixed stumpage rates for the initial 5-year cutting permit.

6. The AAC of Farm Woodlots rolled-over to Woodlot Licences should be increased to manageable economic sizes.

5.5 WOODLOT ASSOCIATIONS:

CONCLUSION:

Woodlot Licence Associations provide valuable services to both Licensees and the Ministry.

RECOMMENDATION:

The Ministry should encourage the formation of Woodlot Licence Associations to provide educational, technical, and marketing services.

5.6 EXTENSION SERVICES:

CONCLUSION:

An Extension Service Program is urgently needed by Licensees and the Ministry.

RECOMMENDATIONS:

1. The Extension program should be expanded immediately for instructing Licensees on basic technical subjects needed to ensure good forestry practices compatible within environmental, economic, and Regulatory limits.

2. The Ministry should assign a Senior Forester-Equivalent to Extension Services for each 50 Woodlot Licences, at a cost of $50,000 each annually.

5.7 EXPANSION OF THE WOODLOT LICENCE PROGRAM:

CONCLUSION:

The Woodlot Licence Program is a proven success. Requests and opportunities for expansion exist in all Forest Regions.

RECOMMENDATIONS:

1. The Ministry should expand the Woodlot Licence Program on a Forest District or locality basis rather than on a blanket Province-wide basis.

2. The Program should be expanded on a local basis where applicants meet the awarding criteria and Woodlot Licences are potentially viable.

3. The Ministry should consider the impacts of Staff Workloads when expanding the Woodlot Licence Program and should supplement Staffs and budgets.

5.8 MARKETING:

CONCLUSIONS:

The markets for Woodlot Licences are limited to log sales at the mill yards in the Interior and at tidewater on the Coast. The log markets for Woodlot Licences are characterized by lack of competition.

The Woodlot Licence has limited opportunities for extra profits because of constraints of flexibility, cut control, small volumes, woods-run log quality, and economically designated market destinations.

At present, long-term commitments for log sales from Woodlot Licences do not appear feasible because of adequate timber supplies in all Regions. Few opportunities appear to exist for viable commitments. Furthermore, on the Coast, the market for small diameter and short logs is very limited. Accordingly, market prices for thinnings and other small diameter timber make stand improvement practices uneconomical.

RECOMMENDATIONS:

1. The Ministry should encourage marketing of salvage timber, low quality logs and stand improvement by assessing minimum stumpages.

2. The timber utilization standards on Woodlot Licence contracts should be compatible with the marketing opportunities for the production.

5.9 FINANCIAL REPORTING:

CONCLUSION:

The Ministry needs financial data for stumpage appraisals of Woodlot Licences which are applicable to local conditions and specific Woodlot Licences.

RECOMMENDATIONS:

1.. The Ministry should design a financial recording system specifically for Woodlot Licences.

2. Woodlot Licensees should be obligated to keep financial records in the approved recording system for easy auditing of costs.

5.10 STUMPAGE APPRAISALS AND RATES:

CONCLUSIONS:

1. In the Interior, the old system and the Comparative Value Pricing system of appraisals are inappropriate for Woodlot Licences because the systems are based on end selling prices of lumber and chips.

2. The Woodlot Licensee does not have the economies of scale enjoyed by Licensees of large tenures.

3. The Comparative Value Pricing system uses cost components which have little application to small forest operations.

4. The cancellation of the Small Operator Indicator and application of the Comparative Value Pricing system removes all margins for practicing forestry and profits.

RECOMMENDATIONS:

1. The Small Operator Indicator should be restored immediately to appraisals.

2. A Woodlot Licence stumpage appraisal system should be designed using as its market base the selling prices of logs.

3. A study should immediately be made of representative Woodlot Licences to determine actual operational costs of small logging operations.

A summary of the foregoing and other Conclusions and Recommendations in greater detail are to be found in the following Study.

Yours truly,

J.M. (JACK) Bakewell, R.P.F., P. ENG.

ACKNOWLEDGEMENTS

The Writer acknowledges the help of the many organizations and individuals who contributed to the Woodlot Licence Study.

The Ministry Staffs in Victoria and Regional and District Offices were particularly helpful in providing data, arranging meetings, and advising on Ministry policies and procedures. Much of the assistance was provided outside of normal working hours.

Valuable assistance was received from many Woodlot Licence Owners, Associations and interested parties in both written and verbal submissions.

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WOODLOT LICENCE STUDY

1.0 INTRODUCTION:

In February 1988 the Ministry of Forests and Lands commissioned this Woodlot Licence Study. The Terms of Reference are Appendix I.

1.1 OBJECTIVES:

The objectives of this Woodlot Licence Study are:

- To assess the responsibilities, costs and opportunities for Woodlot Licences and provide a comparision with the other small business licences and major licences.

- To assess the application of Comparative Value Pricing to Woodlot Licences in comparison with other licences.

1.2 METHODOLOGY:

In compliance with the Terms of Reference, the Writer:

- visited all Regional Forest Districts,
- consulted with Ministry of Forests and Lands Personnel in Victoria, the 6 Forest Regions, and some 12 Forest Districts,
- attended 6 joint meetings with Ministry Personnel and Woodlot Licensees,
- attended 3 meetings with Woodlot Associations,
- met with 2 Indian Bands and IAND Personnel,
- visited 6 Woodlot Licences,
- received over 100 letters from Woodlot Licensees and Ministry Personnel,
- received numerous telephone conversations with Ministry Officials and Woodlot Licensees, and
- collected and analysed numerous documents relating to forest policy, Regulations, forest management, stumpage appraisals, and other subjects complimentary to the Woodlot Licence Study.

2.0 WOODLOT LICENCES:

2.1 HISTORY:

Woodlot Licences are small scale forest operations designed to grow and harvest trees for industry while supplementing the incomes of the Licensee.

The Woodlot Licence Program evolved from the Farm Woodlot Program and the recommendations of the Report of the Royal Commission on Forest Resources of 1976. The ensuing White Paper and recommendations of the Forest Policy Advisory Committee (F.P.A.C.) resulted in Legislation in the FOREST ACT, proclaimed on January 1, 1979.

The initial objectives of the Woodlot Licence Program are in a Ministry Policy Statement, dated 82 - 11 - 08, as follows:

- *to encourage qualified individuals, societies, corporations or a "band" as defined in the Indian Act to practice sound forest management under a Woodlot Licence on Crown land or on a combination of Crown and private land, where this form of tenure is in the best public interest;*

- *and through the Woodlot Licence Program, to enhance the understanding of forestry;*

- *to provide secondary job and income opportunities; and*

- *to provide extension services by the Ministry upon request.*

Preference will normally be given to those who wish to combine their private forest land with Crown land under the program.

For practical purposes, the Woodlot Licence Program was designed to supplement the incomes of ranchers, farmers, and local resident landowners by providing for the sales of an annual production of logs to sawmills in the Interior and logs to log markets on the Coast. Also, the concepts provided for the use of farm machinery and personal services of the Licensees.

As shown in Appendix II, the productive forest lands in British Columbia are 97.3% Crown-owned. In contrast, the productive forest lands in Norway are about 95% privately-owned. The B.C. relationship has resulted in the percentage of Crown-owned timber in the Woodlot Licence Program being of much higher proportion than any other Woodlot programs. Appendix III depicts a comparison of private forest land ownerships to national productive forest lands for many Western countries.

The Woodlot Licence Program has been restricted to about 1% of the Provincial Annual Allowable Cut (AAC), after deducting the AACs for Tree Farm Licences. The corresponding percentages are about 73% for Forest Licences and about 10% for Small Business Enterprise Program Sales. Appendix IV shows the Allowable Cuts apportioned to B.C.'s forest tenures.

Initially, Woodlot Licences were conceived to be combinations of Crown and Private Lands, the Crown portion being limited to 400 hectares. The term of the Woodlot Licence is limited to 15 years, with options for renewal. The Licensee has no guarantees that the AAC will be maintained or benefits will arise from better than average forest practices.

Under the terms of the Regulations, the Woodlot Licence has obligations that are comparable to those of the Tree Farm Licence and Forest Licence.

2.2 STATUS OF WOODLOT LICENCE PROGRAM:

2.2.1 PUBLIC ACCEPTANCE:

The Woodlot Licence Program is popular. The applications in all Forest Regions exceed the numbers processed and awarded. Most Applicants are bonafide and comply with the original concepts of the Woodlot Licence Program.

A few Applicants found an opportunity to capitalize on flaws in operational Regulations. Licensees desiring to manage the Licence are easily distinguished from those desiring to profit only.

The advent of Comparative Value Pricing has raised considerable doubts among the Woodlot Licensees about the viability of Woodlots Licences.

2.2.2 MINISTRY ACCEPTANCE:

Initially, the Woodlot Licence Program was of low priority with the Ministry of Forests. Only 3 were issued by May 1984, nearly 5 years after the Legislation was proclaimed. Since then, the Program has rapidly expanded. In some cases the expansion was too fast, to the detriment of the Licensees. Some Farm Woodlots were brought into the Program.

To date, 438 Woodlot Licences (WLs) have been awarded, of which 403, or 92%, are in the Interior. The largest number, 157 awarded, are in the Prince George Region, followed by 95 in the Cariboo Region, and 70 in the Kamloops Region. Only 35 have been awarded in the Vancouver Forest Region. The current statistics for Woodlot Licences in B.C. by Forest Regions are shown in Appendices VIIA, VIIB, and VIIC.

2.2.3 OBJECTIVES FULFILLED:

The Approved Minister of Forests Apportionment for the Woodlot Licence Program is currently 0.7% of the Provincial Annual Allowable Cut (AAC) or approximately 1.0% of the AAC after the Tree Farm Licence (TFL) AAC is removed, as shown in Appendix IV, Diagrams A & B.

The Ministry is increasing the apportionment to the Woodlot Licence Program by 50% in some Forest Districts by June 1, 1988.

The Woodlot Licence Tenure's progress is partially depicted in Appendix VIIA. The statistics indicate that 438 Woodlot Licences have been awarded. As of March 1, 1988 there were 241 operating Woodlot Licence Cutting Permits. The Total AAC for Woodlot Licences is some 389,000M^3, about 91% of which originates from Interior Licences.

The statistics indicate that appreciable delays exist between the time of awarding and the time of issuing Woodlot Licences. The delays could be reduced appreciably by simplifying the requirements of both the Ministry and the Woodlot Licensee.

2.2.4 DEMANDS FOR WOODLOT LICENCES:

A big demand for Woodlot Licences existed before the advent of Comparative Value Pricing. Apparently, interest has waned since then.

The Woodlot Licence Program provides for more intensive management of small forest areas than is possible on Crown lands in large Forest Licences and Tree Farm Licences.

The Provincial need for timber could be partially met from a greatly expanded Woodlot Licence Program. Sawmill and integrated forest companies would not be affected by an increase in the number of Woodlot Licences because all of the Woodlot Licence production is sold as logs.

The statistics indicate that the apportionments for the AACs for Woodlot Licences should be proportional to the Regional and Forest District demands rather than fixed percentages Province-wide.

2.2.5 WOODLOT LICENCE ACQUISITION:

A number of Woodlot Licences have been issued which are not in keeping with the original "income" concepts of the Program and the type of Applicant originally intended. Today, Woodlot Licensees include educational institutions, associations, companies, municipal governments, and non-local residents.

The objective of "to provide job and income opportunities" appears to have been lost in some awards. Some Woodlot Licences have been awarded to the highest bonus bidder.

In the past, the awarding procedures for Woodlot Licences generally emphasized the following factors in order of importance:

1. the Licencee's private land contribution,
2. the proximity to Licensee's residence, and
3. the Licensee's experience.

Awarding procedures now being considered emphasize the following in order of importance:

1. Licensee's training and experience
2. proximity to Licensee's residence, and
3. Licensee's private land contribution.

The selection and awarding procedures are slow and arduous. The time for processing applications can take up to 2 years or more. Much of the time involved is spent in the referral and approval processes with other Government Ministries.

2.2.6 DEMOGRAPHIC AND ECONOMIC STATUS OF LICENSEES:

The Ministry has not recorded demographics and economic status of Woodlot Licensees. Few data exist on the degree to which Woodlot Licences are fulfilling the original intent of supplementing the incomes of local resident landowners.

On many Woodlots, commercial logging is being conducted with contract operators similar to those on SBEP timber sales. Often, the Licensee assumes the role of a manager-broker with minimal participation in the operational activities.

2.3 MANAGEMENT RESPONSIBILITIES:

2.3.1 MINISTRY RESPONSIBILITIES:

In the Woodlot Licence, Tree Farm Licence, and Major Timber Sale Programs, the Ministry is responsible for the promotion, implementation, management, apportionment, and liaisons with other Ministries for referrals. Other responsibilities include supervision and approval of management and working plans, the awarding and issuing of Licences, appraisals, and issuing of cutting permits.

The Ministry's field operations include liaison and counselling and checking standards of cruising, forest management, utilization, silviculture, road construction, and protection prescribed in the Woodlot Licence Contract.

In contrast, in the SBE Program, the Ministry has the additional responsibilities of providing access, road construction, cruising, and silviculture.

The obligations and responsibilities for the various tenures are shown in Appendix VIII.

2.3.2 MINISTRY WORK LOAD AND COSTS:

The above management responsibilities and their procedures put substantial work loads on Ministry Staffs.

Finite data are not available for determining actual time and costs incurred by the Ministry in the processing and supervision of Woodlot Licence Programs. The workload for issuing one Woodlot Licence appears to be about equivalent to that of issuing a large Forest Licence, with an AAC many times larger.

The data in Appendix XV indicate that the time required is a Forester-Equivalent to manage about 6 Woodlot Licences during the initial year of implementation, and about 20 Licences when the Woodlot Licences are operational.

The reductions in Ministry Staffs at most District Offices preclude efficient supervision of existing Woodlot Licence Programs. Any increase in the Woodlot Licence Programs would place severe limitations on the rate at which new Licences could be processed under existing procedures.

The foregoing workloads include minimal Extension Services. Many Licensees, both Woodlot and SBE Program, do not understand either their obligations or Ministry roles in the management of the forest tenures. Appreciably more assistance and information are required from the Ministry during the selection period and awarding processes to enable the Licensees to fully appreciate their obligations when the Licences are awarded. Many Licensees lack understanding of Ministry requirements of referral procedures to other Ministries and the resulting delays in issuing cutting permits.

2.3.3 LICENSEE RESPONSIBILITIES:

As shown in Appendix VIII, the Woodlot Licensee has all the obligations of the Licensees of Tree Farms Licences, Forest Licences, and Major Timber Sales. As with Major Tenure Licensees, the Woodlot Licensee is responsible for supervision and management, forest management, engineering, roads, silviculture, and forest inventory and cruising whereas the responsibility for these operations is absorbed by the Ministry for the SBE Program Sales for operations of similar size.

In addition, the Woodlot Licensee pays taxes on private lands contributed, similar to a Tree Farm Licensee.

The Woodlot Licensee has long-term responsibilities for forest management. This commitment requires conducting forest operations with the objective of improving the forest stands and maintaining the optimum productivity of the Licence. This responsibility usually requires investing appreciable time and expenses during the start-up periods in anticipation of benefits at a later date.

The Woodlot Licence has many obligations that permit little comparison with the Small Business Sale. Some Woodlot Licence operational phases are comparable, but total operational costs have to be evaluated for additional road and forestry expenses which are exaggerated because of small scale operations.

The Woodlot Licence does not have the opportunity to benefit from the values added from end products or the economies of scale of tenures having larger AACs. Thus, the Woodlot Licensee undertakes responsibilities with great risks of negative returns under existing contracts.

Many Woodlot Licensees have little appreciation of the need for keeping proper records and accounts. Few Licensees have book data for auditing costs and performance.

2.3.4 LICENSEE CAPABILITIES:

The successful Woodlot Licensee must have a working knowledge of forest operations and business management. No room for poor judgment exists because of the limitations of the economy of size.

Woodlot Licensee capabilities can only be assessed over a period of time. The residual forest cover on the Licence at the end of the 15 year contract will reflect whether the motives were good forest management, or solely profit oriented.

Many Woodlot Licensees do not have the financial strength to weather prolonged periods of poor markets. Thus, high opening-up expenses, high stumpage prices, and low profit margins severely limit the Licensee's incentive to practice good forestry.

2.4 MARKET OPPORTUNITIES:

The first logging or harvesting operations on a Woodlot Licence practicing selective logging and good forestry will tend to supply lower grade and defective logs to the market. Often these logs are not in demand and command lower prices. These low prices have major impacts on the Licensee's cash flow during the opening-up operations during the first 5 years.

Generally, the Woodlot Licences that are initially subject to clear cut logging have higher grade products to market.

The market opportunities vary immensely between the Interior and the Coast Regions and between market centres within a Forest District. The data in Appendix XII indicate the ranges in market opportunities.

2.4.1 INTERIOR MARKETS:

Generally, the Woodlot Licensee is required to deliver logs to a sawmill log yard. Most Interior Woodlot Licensees are limited to one or a few purchasers or virtually a captive

market. Log marketing opportunities are mostly non-competitive except in the vicinity of Prince George.

Factors that affect log prices and limit marketing opportunities are:

- timber quality and demand for marginal logs and species.

- reduced opportunity for grade selection.

- selling of woods-run logs.

- captive log markets with single buyers, at specific locations.

- log prices often dependent on lumber and chip prices and not related to logging costs.

- seasonal operations controlled by weather and road conditions.

- cut control regulations, particularly on Licences with small AACs, and

- competition with periodic surpluses of insect-killed, blow down, and fire damaged timber.

The production volume from the Woodlot Licence is relatively small in industrial terms. Few opportunities exist for grade selection so most logs are delivered as woods-run. The small AACs of Woodlot Licences reduce the marketing opportunities to secondary or tertiary positions. The Licensee is not in a position to make large volume deals. The Licensee is usually at the bottom of the priority list in obtaining trucking and other contract services.

The seasonal nature of the Interior forest industry, often exaggerated by fluctuations in lumber markets, winter operations, and cut control regulations, limits marketing opportunities.

Currently, sawmills in some areas are deluged with salvaged insect-killed timber.

Close-utilization standards apply to all Woodlot Licences in the Interior. Merchantable logs must be utilized to a minimum diameter inside bark (dib) of 10 cm.

Timber quality from established Woodlot Licences is reported to be better than the average of many Small Business Sales. Woodlot Licences are often in close-in areas of low lying timber types with larger trees. The better quality logs are not reflected in the log prices paid at most market centres.

As shown on Appendix XII, the average log sale price is about $\$30/M^3$. The spread in sales prices is usually less than $\$5/M^3$. The maximum spread of about $\$12/M^3$ is in the Kamloops District.

2.4.2 COAST MARKETS:

The Coast log sales are not usually to a captive market. Normally, logs are dumped and boomed at tidewater and marketed at boom storage areas.

Close-utilization standards to 15 cm dib tops for sawlogs and pulp logs exist for Coastal operations. Some timber sales for thinning operations have a minimum top diameter of 10 cm dib for logs. Regardless, very limited markets exist for small diameter logs. Log prices are based on quality of sawlogs and pulp logs specified in the Regulatory grading rules.

The sawmill and pulpmill industries are geared mostly to handling large logs. Therefore, few opportunities exist for marketing short and small diameter logs from tops and thinnings. These would make up 10 to 15 percent of the volume in second growth and immature forests surrounding the inland waterways of the Lower Coast.

In the long-term, the market for smaller diameter logs will improve with the diminishing supply of old growth timber during the coming decade.

Export procedures, generally through log brokers, have been successful in selling some Woodlot Licence timber from the Coast. The prices for export logs are 2 to 3 times domestic market prices.

In practice, logs from all Crown tenures are sold on the same basis.

2.5 LOGGING AND DEVELOPMENT:

2.5.1 OPERATING METHODS:

Most of B.C.'s logging methods are applicable to the Woodlot Licence.

Woodlot Licence production in the Interior ends at the delivery of logs to a sawmill yard, and usually the log dump at tidewater on the Coast.

Very few meaningful direct comparisons are possible in overhead, management and operating costs between the Woodlot Licence and the Small Business Sale or the TFL and FL because of contract obligations and marketing arrangements. Woodlot Licences, as they have higher costs, do not enjoy the economies of scale of large operations.

Originally, the Woodlot Licensee was intended to conduct most of the operations on his Woodlot Licence to supplement his income. In many cases, this objective has disappeared and now the Woodlot Licensee has subcontracted many phases of his operations to road builders, fellers, loggers, truckers and tree planters. The Woodlot Licensee has become a manager-broker, sometimes non-resident. While the Woodlot Licensee is responsible for the financial aspects, he ends up with only a small portion of the work and the proceeds.

On most Woodlot Licences, the logging is done by specialized logging machinery. The use of farm machinery and draft animals is minimal.

2.5.2 CLEAR CUTTING OPERATIONS:

Generally, clear cutting is practiced in mature even-aged, and insect, fire and pathogen-damaged stands.

The costs of clear cutting are relatively lower than selective cutting and thinning.

As shown in Appendix XII, the upper cost range in Interior operations for clear cut logging is about $\$4/M^3$ less than that for selective logging. Comparable data do not exist for Coastal Woodlot Licence operations.

2.5.3 SELECTIVE CUTTING OPERATIONS:

Selective cutting is conducted in uneven-aged timber stands for specific products or grades. Also, selective logging is used for sanitation cuts for harvesting the defective, dead and down, and poorer quality trees. The logs from these trees command lower returns.

Selective cutting is relatively more expensive than clear cutting. The long-term impacts are beneficial to the Woodlot Licence in productivity and future market selectivity but create minimum cash flow during the initial years.

If practiced without precautions, selective logging operations can cause injuries to residual timber. To minimize damage, small low horsepower machinery is preferable to large machines designed for high production.

2.5.4 COMMERCIAL THINNING:

Commercial thinning is a silvicultural technique for stand improvement. Thinning is a relatively expensive operation. The increased value of the residual stand is the incentive for a long-term tenure.

Most AAC holders discourage thinning because the volumes removed are charged to their Allowable Cut. Very little thinning has been practiced in recent years.

The market is limited for small diameter logs on the Coast. The data in Appendix XIV show that the costs of thinning generally exceed the market value of small diameter logs.

2.6 OPERATING AND DEVELOPMENT COSTS:

2.6.1 CONSTRAINTS:

Many Interior and Coast logging methods are similar. Operational costs are influenced by timber volumes, ground conditions, seasonal logging, and markets. In addition, development costs for roads are influenced by life of timber tenures.

Environmental restrictions affect both operating and development costs.

Contract obligations directly affect the costs of operating in the different tenures. As shown in Appendix VIII, the Woodlot Licensee has obligations of management, forestry, road construction, and silviculture which are not imposed by the Ministry on Licensees of small Timber Sales with comparable production.

The Woodlot Licence has the same obligations as a Tree Farm Licence but does not enjoy economies of scale related to larger production.

The Woodlot Licence cannot be compared with other forest tenures except the Tree Farm Licence. As with the TFL, the AAC of a Woodlot Licence is based on the productive area within the Licence. The AAC of a Woodlot Licence is directly affected by the non-forest areas and withdrawals for environmental constraints, such as deer wintering areas in Interior Licences.

The Crown area contribution of a Woodlot Licence is limited to 400 hectares or 998 acres. B.C.'s forest lands have great variations in productivity per hectare. As shown in Appendix V, Interior forests have only 1/3 to 1/2 the productivity per hectare of those on the Coast.

Limited productive area and low productivity per hectare make some Woodlot Licences submarginal operations. The low AAC makes cut control difficult to enforce annually and contributes to accumulating production for periodic logging.

2.6.2 OVERHEAD AND FOREST MANAGEMENT COSTS:

Overhead costs account for approximately 20% of all operating and management costs. Among the overhead items for Woodlot Licences are:

- taxes on private lands,
- volume rent (AAC),
- forest inventory and cruising,
- forest management,
- book keeping and regulatory reports,
- marketing, and
- business management.

While companies operating Tree Farm Licences, Forest Licences, and other Major Tenures are cognizant of these costs, many small operators tend to ignore their importance.

As indicated in Appendix XII, the margins between the upper logging costs and market prices have minimal room for overhead and forest management costs after allowances are made for trucking and silviculture.

The data in Appendix XI indicate that with minimal stumpage rates of $1.25/M^3$, the margin for Overhead and Profit and Risk is about 50% of the required margin.

In contrast, the margin for similar items on SBEP Sales is sufficient because of the costs absorbed by the Ministry.

2.6.3 OPERATING COSTS:

Among the operating costs are working plans, cruising, engineering, road construction and maintenance, logging, trucking, slash disposal, silviculture, and fire protection.

From data available for Woodlot Licences, the greatest variations appear to be in the trucking and silviculture costs. Trucking costs are determined mostly by the hauling distances on a time basis. Silviculture costs are influenced by numerous conditions including those controlled by the Woodlot Licensee's intention to practice good forest management. The Licensee's decisions on degrees of site preparation, reforestation, and stand tending affect immediate annual costs and the long-term productivity of the Woodlot Licence.

In Appendices XI and XII, the data indicate that with log sale prices about $30/M^3$ and operation costs about $27/M^3$, the margins for stumpage, profit and risk, and overhead are insufficient to allow more than minimal expenditures for activities not related directly to log production.

2.7 PROFITABILITY:

2.7.1 GENERAL CONDITIONS:

Woodlot Licences are now classed as a Major Tenure, yet they have little or no financial comparison with Tree Farm Licences, Forest Licences, and SBEP Sales.

The Woodlot Licence has a short track record. Many Woodlot Licensees are farmers and ranchers who do not keep segregated accounting and costs for their various activities.

Woodlot Licensee cost records are minimal. Many Licensees have little experience or idea of forestry and logging costs. A few Licensees are experienced loggers and businessmen who are applying their talents to making profits from their Woodlot Licences. Most of the latter Licensees are not prepared to furnish costs.

Licensees that have operated Woodlot Licences fall into two fundamental classes: namely,

- those whose interest is to maximize the production and minimize the investment, and

- those whose interest is operate under the Woodlot Licence rules and practice good forestry.

2.7.2 RELATIVE PROFIT MARGINS OF MINOR TENURES:

As stated previously, the costs of operating Woodlot Licences and SBEP Sales tenures cannot be compared with large tenures. Similarly, Woodlot Licences cannot be compared with SBEP Sales because of the cost components absorbed by the Ministry.

In Appendix XI, the relative margins for overhead and profit and risk are compared for a typical Woodlot Licence and SBEP Sale in the Interior. In summary, the findings are:

1. Based on minimum stumpage, the margins for overhead and profit and risk for a Woodlot Licence and a SBEP Sale are $2.01/M^3$ and $14.26/M^3$, respectively.

2. Based on average SBEP Stumpage, the margin for the Woodlot Licence is a $1.54/M^3$ loss while the margin for the SBEP Sale $10.71/M^3$ profit, and

3. Based on the Comparative Value Pricing Stumpage, the Woodlot Licence has a margin loss of $9.74/M^3$, whereas the SBEP Sale has a profit margin $2.51.

The foregoing margins indicate that the Woodlot Licence yields a fraction of the net returns that are expected from a SBEP Sale in which the SBEP Sale Licensee has a short term commitment.

The indicated margins for trucking, silviculture, overhead, and profit and risk shown in Appendix XII do not show net profitability.

The highest log sale prices were recorded in Kamloops for specifically lodgepole pine logs delivered to one sawmill. Other species logged adjacent to Kamloops currently have to be hauled to Adams Lake, Vavenby, Merritt and/or Lillooet because of sawmill commitments, over-supply and preference of species, quality, and specialized markets. The hauling cost component of the margin reduces or eliminates profits.

The lowest log sale prices are at Fort St. John and Golden. At these locations, costs of operation exceed the returns.

All data sources indicate that each type of tenure and each individual Woodlot Licence or SBEP Sale must be examined on its own merits for site specific costs.

Generally, the foregoing findings indicate that Woodlot Licences are poor business risks despite 15-year contracts with options for renewal. Many Woodlot Licence operations are not viable and do not fulfill one of the original objectives, namely to supplement the income of the Licensee.

With the increases in stumpage forecast from Comparative Value Pricing, the viability of Woodlot Licences will become even less and could lead to forfeiture of Woodlot Licence tenures.

As of March 1, 1988, 16 Woodlot Licences had fixed stumpage rates, and 24 were to receive Comparative Value Pricing Rates on new cutting permits. The 201 Woodlot Licences with variable stumpage rates, that had already been issued cutting permits were to have their existing rates extended indefinitely.

2.8 EXPRESSED CONCERNS:

Ministry Officials, Woodlot Licencees, Indian Bands, and Associations expressed concerns about many aspects of the Woodlot Licence Program and its relationship to other tenures. The common concerns are indicated in Appendix XVI. Many other concerns expressed are covered by Regulations or practices and can be solved with expanded Extension Services.

Most of the common concerns are related to the administration and regulation of the Woodlot Licence Program. A high degree of agreement exists between the Ministry and the

Woodlot Licensees for both the concerns and means of ameliorating the problems described in the following sections.

2.8.1 AAC OF WOODLOTS:

The AAC's of some Woodlot Licences, especially in the Interior, are too small for economic operation. The AACs could be increased by:

- amending the 400 hectare area limit to 400 hectares of productive forest lands, or

- compensating for withdrawals of productive forest lands with areas outside of the original Woodlot Licence.

Many Farm Woodlots which were rolled into the Woodlot Licence Program have small Crown areas. These revised Licences could be increased up to Regulation limits or to the economic and managerial capabilities of the Licensee.

2.8.2 AWARDING PROCEDURES:

The time required for processing Woodlot Licence applications is unduly long. Delays in processing could be reduced by the Ministry contracting for technical services for cruising and forest management.

For uncontested applications, the Applicant could employ professional services for the technical requirements. Reimbursement could be made through cost allowances in stumpage appraisals.

The awarding procedures could be improved by:

- more emphasis being placed on the forestry experience and capabilities of the Applicant, and

- more emphasis on the intent of the Applicant to manage the private and Crown lands with good forest practices.

2.8.3 DEMOGRAPHICS IN AWARD PROCEDURES:

When awarding Woodlot Licences, more emphasis could be placed on the theme of supplementing incomes of established local residents. Economic and political spin-offs are lost when Woodlot Licences are not acquired by local residents.

2.8.4 SMALL OPERATOR INDICATOR:

Woodlot Licences are too small to enjoy economies of scale. The Small Operator Indicator could be returned to stumpage appraisals to improve the viability of small production operations.

2.8.5 NEW COMMERCIAL SPECIES:

Aspen, formerly classed as non-commercial, has become a marketable commercial species in some Forest Districts. Since aspen could now be considered in apportionment, the AAC's could be raised in Woodlot Licences having sufficient aspen volumes.

2.8.6 CUT CONTROL:

The annual cut control precludes the Woodlot Licensee taking full advantage of periodic increases in log sale prices. The annual cut control adheres to the original Woodlot Licence Program objective of supplementing annual incomes.

More important, the annual controls preclude harvesting of several years' cuts at one time at the expense of good forest practices. In the event of distress or duress, poor markets, adverse operating conditions, or Woodlot Licensee difficulties, the cut control period could be extended to three years.

2.8.7 STUMPAGE APPRAISAL:

A need exists for a low fixed stumpage during the first 5-year cutting plan to assist in countering high start-up expenses of Woodlot Licences. Also, cost allowances in stumpage appraisals need to be Woodlot Licence specific and not derived from Regional Averages of unlike tenures.

To be equitable, appraisals must reflect high up-front costs for management plans and development; poor cash flow from low grade logs from selective cutting and sanitation cuts; and the local market for woods-run logs.

2.8.8 STUMPAGE RATES:

The new stumpage rates under Comparative Value Pricing procedures decrease, and often eliminate, the viability of the Woodlot Licences. Stumpage rates should be appraised to specific Woodlot Licences.

2.8.9 BONUS BIDDING:

The advent of bonus bidding conflicts with the original intent of the Woodlot Licence Program. Awards for Woodlot Licences should be made on the merits of local resident applicants. Any increases in costs in operation of Woodlot Licences will result in poorer forestry.

2.8.10 EXTENSION SERVICES:

Professional counselling and assistance are needed for most Woodlot Licensees. The Ministry Staffs have insufficient time to spend with Woodlot Licensees on forest policy and procedural matters. Similarly, needs exist for technical services. Some of the recognized needs could be provided by consultants to ease the workloads of the Ministry Staffs.

2.8.11 SUCCESSION AND TRANSFER:

The title to Woodlot Licences should be transferred only with the integral unit of private and Crown portions. The Crown portion should revert to the Ministry if the private portion is removed from the Woodlot Licence, to preclude profiteering associated in the past with the selling of Tree Farm Licences and Quotas.

When a portion of private land is removed, land of equal or better productive forest value should be purchased for replacement.

2.8.12 MINISTRY WORKLOAD AND COSTS:

Under normal selection and awarding procedures, the Ministry workload requirements are far higher proportionally than those of other tenures. The requirements for awarding a Woodlot Licence are in many ways equivalent to awarding a TFL.

The Ministry workload is disproportionate in both time and expense on Woodlot Licences.

2.8.13 MANAGEMENT:

A number of Woodlot Licensees consider they are being over-managed. Such Woodlot Licensees should be made to prove their performance over at least one cut control period before the Ministry relaxes its supervision.

2.8.14 LOG MARKETS:

In the Interior, the log markets are frequently non-competitive and log prices do not reflect lumber selling prices. Also, on the Coast, Woodlot Licensees have difficulty selling small diameter and short logs. These concerns will prevail until shortages of sawlogs develop in the respective localities.

2.8.15 SEEDLINGS:

Under Bill 70, the Woodlot Licence has become a Major Tenure and will be responsible for silviculture.

The Ministry use to supply seedlings to Woodlot Licencees. Forest nurseries are now being privatized, which will result in increased costs for seedlings.

2.8.16 SELECTION OF WOODLOT LICENCE AREAS:

The areas of highest priority for Woodlot Licences should be in the agriculture belts or in close proximity to settled areas and easy access.

To preclude environmental, political, and access conflicts, cooperation is essential from Provincial, Regional District, and Municipal Government Agencies.

2.8.17 WOODLOT LICENCE SAWMILLS:

Indian Bands and other Woodlot Licensees expressed desire for cutting Woodlot Licence logs in their own sawmills to take advantage of lumber sales. These desires are contrary to the Objectives of the Woodlot Licence Program and Ministry policies for better utilization of timber, which is not possible in small sawmills lacking barking and chipping facilities and smokeless burners.

2.8.18 FOREST INVENTORY:

A number of Woodlot Licensees expressed concerns over the necessity of cruising both private and Crown lands. These concerns indicate a lack of understanding of the need for good forest information in the selection of Woodlot Licence areas and preparation of working plans. Most concerns expressed could be ameliorated through Extension Programs.

2.9 INCENTIVES FOR BETTER FOREST PRACTICES AND INCREASED YIELDS:

The Woodlot Licence provides the greatest opportunity for the practice of intensive forestry on small scale operations with potential economic, social, and political benefits.

A Woodlot Licence operated by a family unit provides a means for practicing good forest management through personalized endeavors. It is not controlled by limitations of regular hours of work and labour agreements.

The promise of increased AAC from intensive forest practices provides an incentive for the Woodlot Licensee to do more than the Regulatory minimums in maintaining productivity of the Woodlot Licence.

Woodlot Licensees whose continuous efforts are exemplary could be given even more incentive if assurances existed that the Woodlot Licence would be renewed after 15 years.

3.0 STUMPAGE APPRAISALS AND RATES:

3.1 BASES OF APPRAISALS:

The Interior stumpage appraisal system is based on end product values for lumber and chips whereas the Coast system is based on the sale prices of logs.

Basic costs for appraisals are obtained from surveys of industrial operations.

The costs for Interior appraisals are derived from unaudited costs submitted by the forest industry to the Ministry. Less than 1% of the information is submitted in a form readily useable in the Ministry's system. Many of these costs are out of date and therefore have to be "trended", which tends to distort the probable actual costs.

The costs used in Coast appraisals are derived from unaudited costs submitted by the forest industry for 40 Coast operations. The costs are negotiated between the Ministry and the Council of Forest Industries (COFI). The costs are not statistical samples.

The costs used in the appraisals - which are from Tree Farm Licences and Forest Licences - reflect that some 80% of the timber used by B.C.'s forest industry is non-competitive. The same costs, with modifications, are used in appraisals for Woodlot Licences and other small tenures.

3.2 OLD SYSTEM OF STUMPAGE APPRAISAL:

Prior to October 1, 1987, the Ministry used a modified Rothery system of stumpage appraisal. As stated previously, the costs applicable to TFLs and FLs were used to appraise small tenures such as Woodlot Licences. Inappropriately, these costs reflected the economies of scale for large operations which were not applicable to small scale operations. For adjustment, the Ministry applied a Small Operator Indicator factor which had the effect of reducing the appraisal market prices. In turn, the stumpage prices for many Woodlot Licences were reasonable or at minimum rates.

3.3 NEW SYSTEM OF STUMPAGE APPRAISAL:

All forest tenures are subject to a revenue-directed appraisal system known as Comparative Value Pricing.

In principle, the same cost data used in the old system are used in the new appraisal system. The Small Operator Indicator factor was cancelled on October 1, 1987. Consequently Woodlot Licence appraisals no longer contain an adjustment for economies of scale.

The impacts on stumpage rates of the New System are shown on Appendix X. The estimated stumpage rates for Woodlot Licences increase from $\$1.73/M^3$ to $\$9.16/M^3$, or over 5 times. The stumpage rates for comparable SBEP Sales increase from $\$6.03/M^3$ to $\$12.30/M^3$, or over 2 times. Stumpage rates of Tree Farm Licences, Forest Licences, and large Major TSLs increase 3 to 5 times.

3.4 MARGINS FOR PROFIT AND RISK:

As of March 1, 1988, Comparative Value Pricing (CVP) stumpage rates were applied to cutting permits for 24 Woodlot Licences. Existing stumpage rates on cutting permits awarded under the old system were extended indefinitely for the other 201 Woodlot Licences.

The resulting two-level system of stumpage appraisal is unfair to Woodlot Licensees whose cutting permits were delayed by administrative and regulatory procedures of the Ministry.

When the CVP stumpage rates are imposed on the data for Interior Woodlot Licences in Appendix XII, most Woodlot Licences will be inoperable, as they will have no margins for profit, risk and overhead.

The CVP stumpage rates preclude development of new Woodlot Licences where extraordinary expenses for road development, forestry, and silviculture are needed during the first 5-year management period.

The impacts of the CVP stumpage rates on Woodlot Licences stress the needs for a stumpage appraisal system designed for individual tenures with costs that are site-specific to a particular Woodlot Licence.

4.0 OTHER CONSIDERATIONS:

4.1 EXTENSION SERVICES:

Extension Services are urgently needed for Woodlot Licensees, in all phases of technical forestry, forest policy, operations, and administration of the Woodlot Licence Program.

Many functions of the Ministry Staff and the Woodlot Licence Program are not understood by many Woodlot Licensees. As part of the selection and awarding process, prospective Woodlot Licensees need to attend indoctrination conferences on objectives of the Program and the obligations and financial responsibilities assumed by a Woodlot Licensee. Also, continuing advice is needed by many Woodlot Licensees on techniques needed for improving development, logging, and silvicultural operations.

From the data available, the Extension Services of the Ministry have not been developed in keeping with the intent of the original objectives. Thus, the costs of a proper Extension Program are not known, due to a lack of experience.

Some extension services are best provided by the Ministry, others could be contracted to outside service organizations.

On the premise that a Senior Extension Forester-Equivalent should be employed for each 50 Woodlot Licences at a total cost of $50,000 annually, some 10 Foresters would be needed Province-wide at a cost of some $500,000. The number of Extension Foresters would have to be increased proportionately with the expansion of the Woodlot Licence Program.

4.2 WOODLOT LICENCE ASSOCIATIONS:

Associations of Woodlot Licensees are a valuable and necessary part of the Woodlot Licence Program. These Associations provide a stabilizing influence between the Ministry and the Woodlot Licensees in settling differences of opinion on interpretation of contract obligations and forest practices. Also, Woodlot Licence Associations can facilitate extension programs.

Through a Woodlot Licence Association, Woodlot Licensees can approach Regulatory organizations on matters of policy which require political backing and are of concern to more than one Woodlot Licensee.

Woodlot Associations can be of assistance in marketing and can provide information to Woodlot Licensees on such matters as means of obtaining best prices for their production, and sources of Government funding.

4.3 WRITE-OFF OF DEVELOPMENT COSTS:

The high initial expenditures for development costs during the initial years necessitate some form of financial offsets. The small production of Woodlot Licences precludes write-offs of substantial amounts.

By assessing stumpages at a fixed rate for each 5-year management period, the Woodlot Licensee could have an opportunity to obtain a larger margin for overhead and profit and risk.

4.4 PRIVATE LAND CONTRIBUTIONS:

During the early years of the Woodlot Licence Program, private land contribution to the Woodlot Licence was a prime factor in the award assessment. In keeping with the objectives of the Woodlot Licence Program, the contribution of productive forest land helps establish that the prospective Woodlot Licensee is sincere in wanting to practice forestry. More emphasis should be placed on the contribution of private forest land committed to long-term forestry.

4.5 BONUS BIDS:

The awarding of Woodlot Licences on the basis of bonus bids contradicts the original objectives of the Woodlot Licence Program.

Furthermore, to date, most Woodlot Licences have proven to have no margin for writing-off of additional expenses. Hence, the extra financial burdens of a bonus bid necessitate that the Woodlot Licensee restrict spending on development, forestry, and silviculture.

4.6 DISTRIBUTION OF AGE CLASSES:

Some Woodlot Licences apparently have a poor distribution of age classes. By reducing the original Woodlot Licence and adding compensating areas to improve the age class distribution, the Woodlot Licence could become more productive, with benefit to the Woodlot Licensee and the Crown.

4.7 FOREST PRACTICES:

Forest practices on private lands should be to the same standards as those on Crown lands. Private lands withdrawn from the Woodlot Licence should be replaced by private lands of equal forest productive value. Private lands contributed to the Woodlot Licence should be committed to long-term forestry.

The Woodlot Licence Program was intended for supplementing incomes. Therefore, over 50% of the workload should be undertaken by the Woodlot Licensee. The horsepower of machinery should be limited for many operations. By using farm machinery in place of heavier, more powerful logging equipment, residual stands would receive less damage during selective logging operations.

4.8 CUT CONTROL:

An objective of the Woodlot Licence Program was to supplement the Woodlot Licensee's income. While annual production is preferable, it is not always practical. A 3-year maximum cut control period should be mandatory during the first cutting permit. If the period is longer, the objective of a regular income supplement is lost.

Extensions of the cut control period on the second permit should be based on previous performance and at the discretion the District Manager.

5.0 CONCLUSIONS AND RECOMMENDATIONS:

5.1 OBJECTIVES & ADMINISTRATION OF WOODLOT LICENCE PROGRAM:

The original objectives of the Woodlot Licence Program are still applicable. With minor amendments and emphasis on priorities, those objectives can continue to provide the guidelines for awarding more Woodlot Licences.

Overall, the objectives have been attained in the awarding of some 438 Woodlot Licences. Most concerns regarding the implementation of the Woodlot Licence Program can be ameliorated by modifying administrative and Regulatory procedures.

The following measures are recommended:

1. The contribution of private productive forest lands, committed to long-term forestry, should be a mandatory condition of the awarding of a Woodlot Licence.

2. The awarding of Woodlot Licences on the basis of Bonus Bids should be abolished. Woodlot Licences should be awarded to bonafide established local residents for the purpose of providing supplemental incomes and getting a higher level of forest management on the land put into the Woodlot Licence.

3. Ownership of a Woodlot Licence should be transferred only when the private lands and Crown lands are transferred as an integral unit.

4. Private lands withdrawn from the Woodlot Licence should be replaced by equivalent areas of forest land of equal or better productivity committed to long-term forestry.

5. The Ministry should modify the administration procedures for Woodlot Licences to allow more time for Ministry personnel to undertake actual field supervision of Woodlot Licence operations.

5.2 COMPARISION OF WOODLOT LICENCES WITH OTHER TENURES:

The Woodlot Licence tenure is comparable in contractual obligations to large tenures such as the Tree Farm Licence, Forest Licence, and Timber Sale Licences. However, the Woodlot Licence does not have the benefits these large volume tenures enjoy from economies of scale or the value-added market advantages.

Markets for Woodlot Licences are limited to log sales only, yet in the Interior, the market prices used in stumpage appraisals for Woodlot Licences and other tenures are based on selling prices of lumber and chips.

The Woodlot Licence is not comparable to the Small Business (SBEP) Sale. The Woodlot Licence has obligations of road construction, forestry, silviculture and overhead costs which the Ministry assumes for SBEP Sales. Also, the Woodlot Licence has obligations for private lands and the practice of long-term forestry. The latter is undertaken by the Ministry for SBEP Sales and other small tenures.

Except for the Woodlot Licence, all other tenures are designed for high production operations and are not designed for supplementing incomes of local residents.

Based on the foregoing lack of similarities, the recommendation to the Ministry is to regard the Woodlot Licence as a unique form of tenure which must be treated on its own merits.

5.3 LOGGING METHODS AND COSTS:

Conventional logging systems in the Interior and Coastal Regions are applicable to Woodlot Licences. However, one of the objectives of the Woodlot Licence Program is the supplementing of Licensee's income, which infers a low rate of production and a small scale of logging operations. In contrast, all other tenures lend themselves to high production operations.

The cost per unit of production on a Woodlot Licence is appreciably higher than other Major Tenures. The small volume production does not enjoy the economies of scale.

The Woodlot Licensee has limited opportunities to reduce costs compared with other small tenure licensees on which the obligations for overhead, forestry, road construction, and silviculture are costs absorbed by the Ministry.

Some reduction in operating expenses may be realized from cooperative efforts of Woodlot Licensees, for example, the engaging of forestry services, equipment rentals and trucking. Similarly, increases in log sales prices may be possible from cooperative marketing.

On the foregoing premises, recommendations to the Ministry are:

1. Woodlot Licences should not be compared with other tenures.

2. Cooperative efforts should be promoted among Woodlot Licensees having similar operating and marketing conditions.

5.4 VIABILITY OF THE WOODLOT LICENCE PROGRAM:

Many Woodlot Licences are barely viable because of low annual allowable cuts, high initial development costs, high operating costs, and limited and non-competitive log markets.

Recommended measures for increasing the viability of Woodlot Licences are:

1. The gross size limitation of 400 hectares should be amended to be 400 hectares of productive forest land.

2. Woodlot Licences having a poor distribution of age classes or withdrawals for environmental constraints should be amended by substituting a better distribution of productive forest types from neighboring areas.

3. The cut control for Woodlot Licences should be rigidly enforced, with the maximum cut control periods being no longer than 3 years during periods of distress markets, adverse operating conditions, or Licensee difficulties.

4. Stumpage appraisals for Woodlot Licences should be site specific, with audited current costs of small forest operations, to ensure appraisal components reflect actual costs and local conditions.

5. The Ministry should consider setting fixed stumpage rates for the initial 5-year cutting permit to ensure an adequate cash flow to cover abnormal operating costs associated with the opening-up phases of the Woodlot Licence and the frequent needs for catch-up forestry on the Licence-as-a-whole.

6. The small AACs of rolled-over Farm Woodlot Licences should be increased by adding productive Crown forest lands. A program to rectify the AAC deficiency on these Woodlot Licences should be initiated where the Licensees desire, or are capable of, managing greater production.

5.5 WOODLOT LICENCE ASSOCIATIONS:

The Woodlot Licence Program is well-established in most Forest Regions. Woodlot Licence Associations are established in 8 Forest Districts. These Woodlot Licence Associations are providing valuable services to both the Licensees and the Ministry. To further the advantages provided by Woodlot Licence Associations, the Ministry is recommended to encourage:

1. The formation of Woodlot Licence Associations in all localities tributary to Ministry Offices administering Woodlot Licences.

2. Woodlot Licence Associations to provide educational, technical, and marketing services.

3. The Woodlot Licence Associations to participate in education programs for local schools and the public at large.

5.6 EXTENSION SERVICES:

One objective of the Woodlot Licence Program is the implementation of an Extension Service Program by the Ministry. To date, the Program is limited because of manpower and budgetary limitations.

The needs for an Extension Program are confirmed repeatedly by comments and actions of Woodlot Licensees. Many Woodlot Licensees appear to have little understanding of the Ministry's role and responsibilities in the administration of Crown lands. Also, many Woodlot Licensees have little formal training in the technical aspects of development, logging, silviculture, and marketing.

In expanding the Forestry Extension Program, the following actions are recommended;

1. The Extension Program should be expanded immediately for instructing Woodlot Licensees on basic technical subjects needed to ensure good forestry practices compatible with environmental, economic, and Regulatory limits.

2. The Ministry should hold periodic meetings and work-shops for instructing Woodlot Licensees on the fundamentals of technical and administrative roles of the Ministry and the requirements of Woodlot Licence Contracts.

3. The Ministry should delegate parts of the Extension Programs to Woodlot Licence Associations, consultants, and service organizations,

4. The Ministry should promote local public relations programs and encourage Ministry Staffs to participate in Community events.

The intended Extension Program was never fully implemented; thus the costs are not known. On the premises that a Forester-Equivalent is required for each 50 Woodlot Licences at a cost of $50,000 annually, the following actions are recommended:

1. The Ministry should assign a Senior Forester-Equivalent to Extension Services for each 50 Woodlot Licences, and

2. The number of Extension Foresters be further increased as the Woodlot Licence Program is further expanded.

Funds for job training, silviculture, and skill improvements are available from various Federal and Provincial sources.

Through the Extension Services the Ministry is recommended to provide Woodlot Licensees with information on potential sources of financial assistance.

5.7 EXPANSION OF THE WOODLOT LICENCE PROGRAM:

The Woodlot Licence Program is a proven success. Requests and opportunities for expansion exist in all Forest Regions. In expanding the Woodlot Licence Program, the following actions are recommended:

1. The Ministry should expand the Woodlot Licence Program on a Forest District or locality basis rather than on a blanket Province-wide basis.

2. The objectives of the Woodlot Licence Program should be maintained, with emphasis on the supplementing of incomes of established local residents.

3. The Woodlot Licence Program should be expanded on a local basis where Applicants meet the Ministry awarding criteria and Woodlot Licences are potentially viable.

4. The percentage of the Regional AAC for the Woodlot Licence Program expansion should be varied to suit the demands of the specific Forest District.

5. The Ministry should consider the impacts of increased Staff workloads when expanding the Woodlot Licence Program and should increase Staffs and budgets as appropriate.

5.8 MARKETING:

The markets for Woodlot Licences are limited to log sales at mill yards in the Interior and generally at tidewater on the Coast. Unfortunately, markets for logs from Woodlot Licences are at present characterized by lack of competition.

The Woodlot Licensee has limited opportunities for extra profits because of constraints on flexibility, cut control, small volumes, woods-run log quality, and economically-designated market destinations.

Access to tidewater for dumping and booming is becoming an increasing problem in Coastal Regions.

Recommended actions to improve marketing are:

1. The Ministry should encourage marketing of salvage timber, low quality logs, and stand improvement by assessing minimum stumpages.

2. The Ministry should ensure access to tidewater by limiting terms of leases for foreshore and upland areas required for future dumping and booming of logs from Crown tenures.

3. The Ministry should allow increases in AAC for other species such as aspen and timber below specifications when they become economically viable.

At present, long-term commitments for log sales from Woodlot Licences do not appear to be feasible because of adequate timber supplies in all Regions. Few opportunities appear to exist for viable commitments. Furthermore, on the Coast the market for small diameter and short logs is very limited. Accordingly, market prices for thinnings and other small diameter timber make stand improvement practices uneconomic.

Based on the above, recommendations to the Ministry are:

1. The timber utilization standards in Woodlot Licence contracts should be compatible with the marketing opportunities for the production.

2. The timber utilization standards should be reviewed and amended when markets develop for previously non-economic production, or alternatively when markets cease to exist for previously merchantable species and grades.

5.9 FINANCIAL REPORTING:

Many of the concerns expressed in this Report pertaining to Woodlot Licences originate from the lack of financial data needed to make stumpage assessments applicable to local conditions and specific Woodlot Licences.

The following recommendations could alleviate the foregoing deficiencies of specific data:

1. The Ministry should design a simple financial recording system which recognizes that most small operators do not segregate Woodlot Licence expenses from farm and other business expenses, and

2. Woodlot Licencees should be obligated to keep financial records of their operations in a form which would allow the Ministry to quickly audit costs specific to the particular Woodlot Licence.

5.10 STUMPAGE APPRAISALS AND RATES:

The Woodlot Licence Program is solely dependant on the selling of logs. In the Interior, the old system and the Comparative Value Pricing of appraisals are inappropriate for Woodlot Licences because both appraisal systems are based on end selling prices of lumber and chips. The Woodlot Licence does not have the economies of scale enjoyed by larger tenures. Also, the Woodlot Licence does not have the market advantages of integrated logging and sawmill operations available to Tree Farm Licences, Forest Licences, and Major Timber Sale Licences.

Prices can be obtained for logs delivered to most milling centres. Often these prices are not tied to the fluctuations in sales prices of lumber and chips.

The Comparative Value Pricing system uses cost components which have little application to small forest operations. The cancellation of the Small Operator Indicator and application of the Comparative Value Pricing System removes all margins for good forestry practices and profits on Woodlot Licences.

The following recommendations provide a means to correct the existing stumpage appraisal deficiencies for Woodlot Licences.

1. The Small Operator Indicator should be restored immediately to stumpage appraisals.

2. A Woodlot Licence stumpage appraisal system should be designed using as its market base the selling prices of logs.

3. A cost study should immediately be made of representative Woodlot Licences to determine actual operating costs of small logging operations.

4. Woodlot Licensees should be obligated to keep financial records in a form useful to the Ministry and available for easy auditing.

APPENDICES

APPENDICES

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APPENDIX III	COMPARISION OF PRIVATE FOREST LAND OWNERSHIPS TO NATIONAL PRODUCTIVE FOREST LANDS
APPENDIX IV	APPROVED MINISTER OF FORESTS APPORTIONMENT(AAC) FOR CROWN FOREST LANDS
APPENDIX V	MEAN ANNUAL INCREMENT RATIOS FOR GOOD AND MEDIUM FOREST SITES
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APPENDIX VIIA	WOODLOT LICENCE PROGRAM PROGRESS BY FOREST REGIONS - LICENCES AWARDED AND ISSUED
APPENDIX VIIB	WOODLOT LICENCE PROGRESS BY REGIONS - ANNUAL ALLOWABLE CUT (AAC)
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APPENDIX XV FOREST DISTRICT WORKLOAD AND COST WITH WOODLOT LICENCE PROGRAM

APPENDIX XVI COMMON CONCERNS OF MINISTRY AND WL LICENSEES

APPENDIX XVII GLOSSARY & ABBREVIATIONS

APPENDIX I

WOODLOT LICENCE STUDY

TERMS OF REFERENCE

OBJECTIVES:

1. To assess the responsibilities, costs and opportunities for woodlot licences and to provide a comparison with other small business licences and major licences.
2. To assess the application of Comparative Value Pricing to woodlot licences in comparison with other licences.

BACKGROUND:

The woodlot licence tenure was established in the new Forest Act, 1979. It replaces the former "farm woodlot licence". The Act specifies that woodlot licences are available to citizens, societies, Indian bands and corporations that do not control a timber processing facility or other woodlot licence. They are composed of private land, if any, held by the licensee, and up to 400 ha of Crown land.

The purposes of the woodlot licence tenure are not explicitly defined in the Act, but Ministry policy indicates that the tenure is to be used to:

- encourage eligible individuals or groups to practice sound forest management,
- enhance public understanding of forestry, and
- create job and income opportunities.

An implicit purpose is to increase the provincial timber supply by ensuring forest management on small parcels of private and Crown forest land.

Ministry policy also indicates that extension services to woodlot licensees will be provided, upon request, on administrative and technical matters of forest management.

The new Comparative Value Pricing system for timber, implemented on October 1, 1987, has led to significant stumpage increases for some woodlot licences. Numerous woodlot licensees have written letters strenuously opposing these increases. Most have pointed to their prior investments in land, consultant fees, time and energy which were based on an expectation of profit under the former pricing system.

SUBJECTS TO BE EXAMINED:

1. History and purposes of the woodlot licence program, with special regard to its relationship to the Small Business Enterprise Program (SBEP), major tenures and Ministry staff workloads. (This is intended to be a minor part of the report.)

2. Management responsibilities and their costs for woodlot licensees, compared with those of other licensees, with special regard to the size of woodlot licences and the capabilities of licensees.

3. Logging methods, costs and conditions on woodlot licences, compared with the SBEP and other licences, with special consideration of opportunities for reducing costs.

4. Marketing opportunities and problems, with consideration of, among other things, market cycles, cut control, timber quality, purchase arrangements, and short and long term demand from processing facilities.

5. Stumpage rates under the old and new pricing systems, and their relation to those of other tenures.

6. Other factors, special considerations or arrangements for woodlot licences. For example, the extension service, its cost to the Ministry and its value to woodlot licensees.

METHODOLOGY:

1. Interview Ministry staff in Victoria and in region and district offices of at least three forest regions (e.g. south Coast, south Interior and north Interior).

2. Interview woodlot licensees in at least three forest regions and, if possible, examine the accounting records of some woodlot licensees.

3. Interview managers of processing facilities which purchase logs from woodlot licences.

4. On-site examination of woodlot licences and, if possible, harvesting and forest management activities, in at least three forest regions.

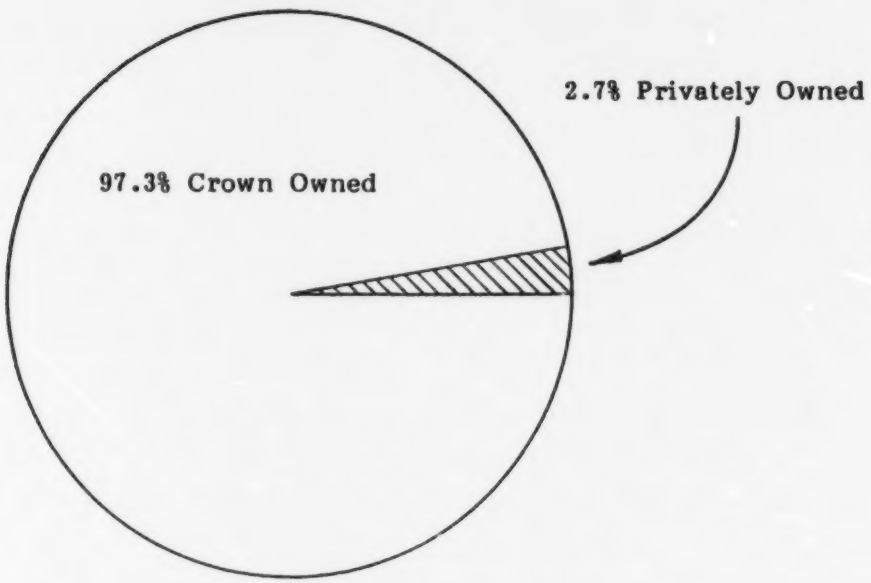
REPORT:

1. Due before April 30, 1988.

2. The report should include detailed discussions of the subjects examined and suggest solutions for any problems discovered to be inherent in the woodlot licence tenure or program. An executive summary is required.

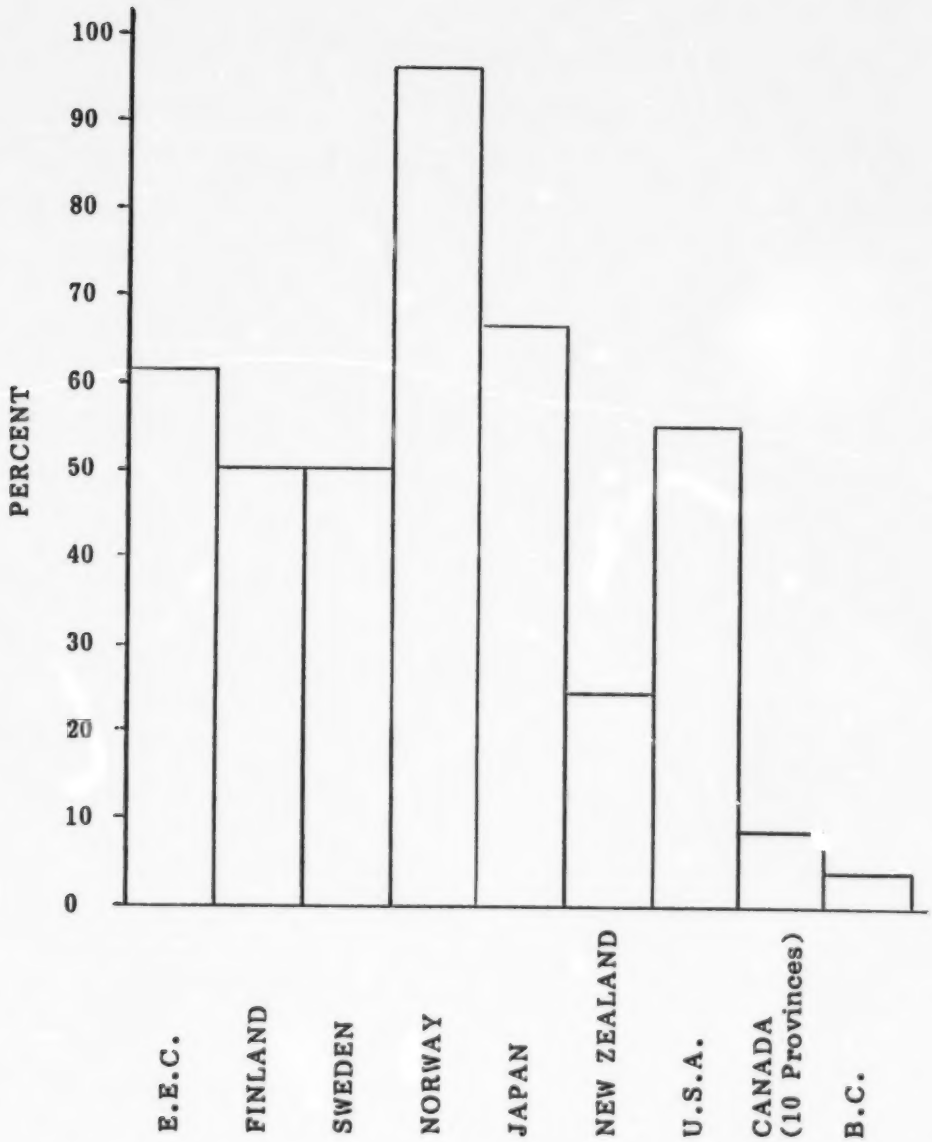
APPENDIX II

OWNERSHIP OF B.C.'S PRODUCTIVE FOREST LAND



APPENDIX III

COMPARISON OF PRIVATE FOREST LAND OWNERSHIPS TO NATIONAL PRODUCTIVE FOREST LANDS



APPENDIX IV

APPROVED MINISTER OF FORESTS APPORTIONMENT (AAC) FOR CROWN FOREST LANDS

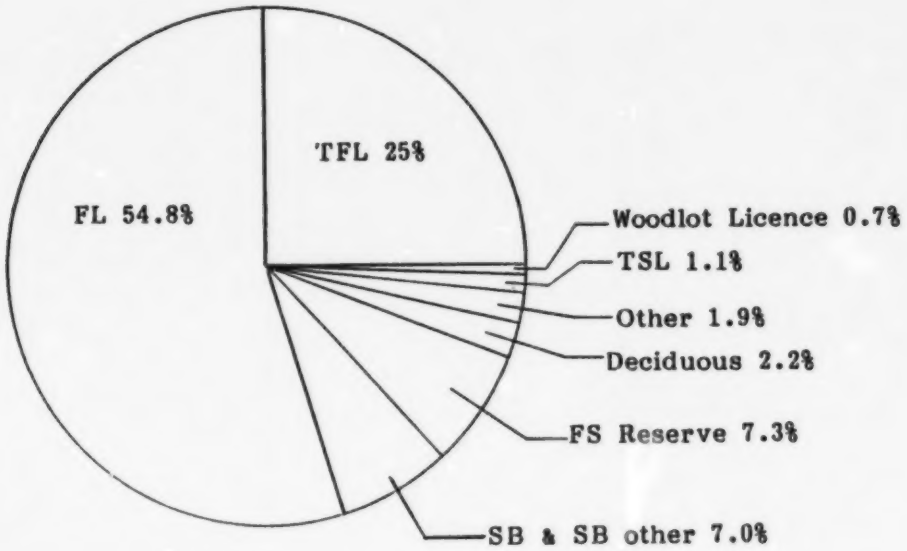


DIAGRAM A - TOTAL PROVINCIAL AAC

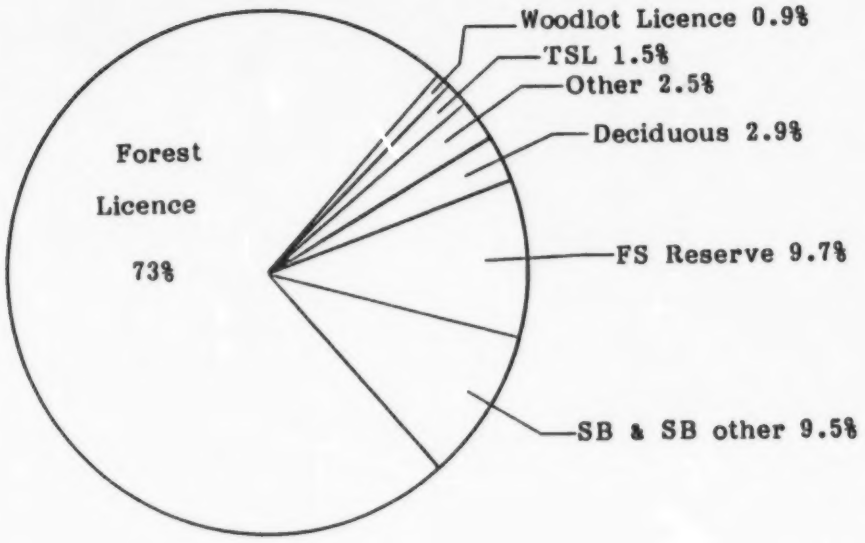
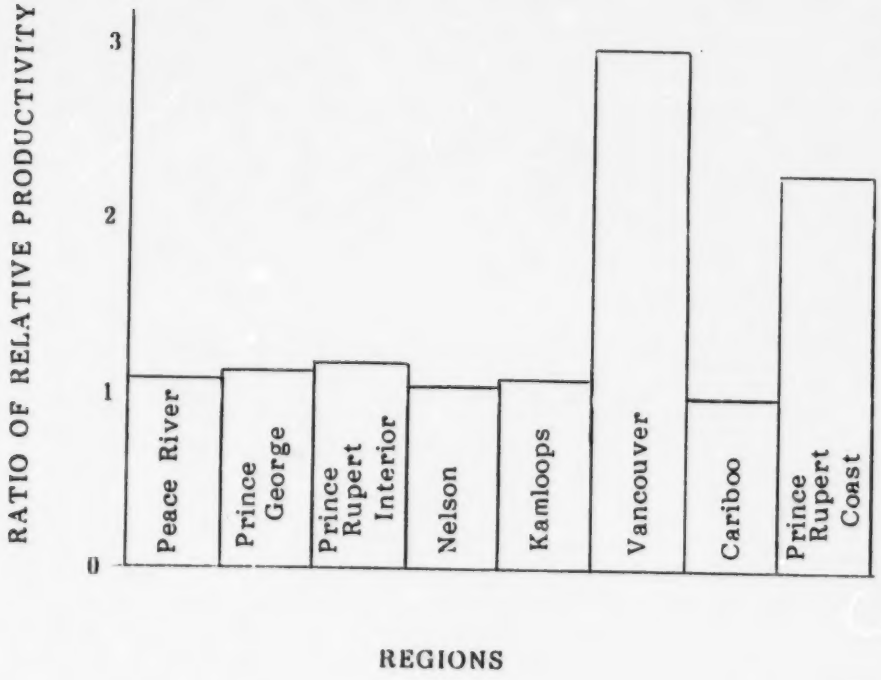


DIAGRAM B - AFTER TFL AAC REMOVED

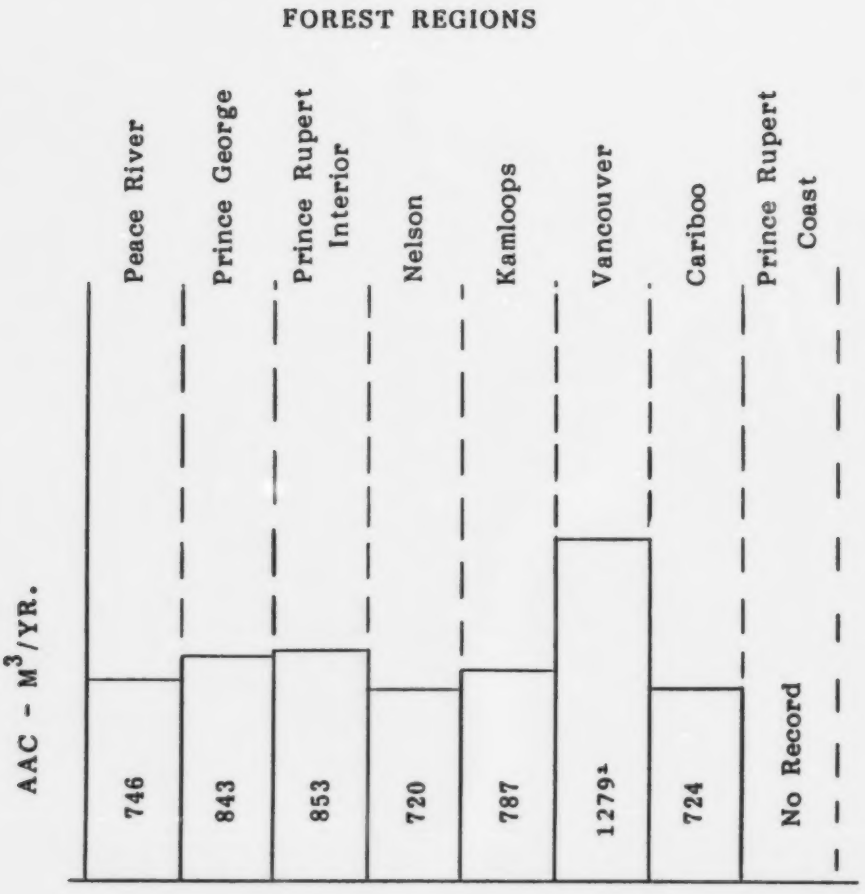
APPENDIX V

MEAN ANNUAL INCREMENT RATIOS FOR GOOD AND MEDIUM FOREST SITES



APPENDIX VI

AVERAGE AAC OF CROWN PORTIONS OF WOODLOT LICENCES



¹ Average of Crown Portion of New Woodlots is 1650 AAC.

APPENDIX VIIA

WOODLOT LICENCE TENURE PROGRESS BY FOREST REGIONS

LICENCES AWARDED & ISSUED

(MARCH 1988)

FOREST REGION	LICENCES AWARDED	LICENCES ISSUED
CARIBOO	95	57
KAMLOOPS	70+	70
NELSON	50	41
PRINCE GEORGE	157	NAV[2]
PRINCE RUPERT[1]	31	31
TOTAL INTERIOR	403	199+
VANCOUVER	35	21
TOTAL	438	120+

[1] Virtually All Interior
[2] NAV - No Information Available

APPENDIX VIIB

WOODLOT LICENCE PROGRESS BY REGIONS

ANNUAL ALLOWABLE CUT (AAC)

FOREST REGION	AAC M^3			WL AVERAGE AAC M^3		
	CROWN	PRIVATE	TOTAL	CROWN	PRIVATE	TOTAL
CARIBOO	67,373	6,162	73,535	724	67	791
KAMLOOPS	55,061	11,835	66,896	787	169	956
NELSON	37,343	6,671	44,014	720	128	848
PRINCE GEORGE	132,312	9,849	142,161	843	63	906
PRINCE RUPERT[1/]	25,602	1,730	27,332	853	58	911
TOTAL INTERIOR	317,691	36,247	353,938	--	--	--
AVERAGE INTERIOR	----	----	----	790	90	880
VANCOUVER	28,132	7,285	35,417	1,279[2/]	331	1,610
TOTAL	345,823	43,532	389,355	--	--	--

1/ Virtually all Interior
2/Average of Crown Portion of New WL is 1650 AAC

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APPENDIX VIIC

WOODLOT LICENCE PROGRESS BY REGIONS

FOREST REGION	AREA IIA			AVERAGE AREA IIA		
	CROWN	PRIVATE	TOTAL	CROWN	PRIVATE	TOTAL
CARIBOO	NAV	NAV	NAV	NAV	NAV	NAV
KAMLOOPS	23,600	14,410	38,010	337	206	543
NELSON	16,810	4,484	21,294	323	86	409
PRINCE GEORGE	56,296	12,171	68,467	359	78	437
PRINCE RUPERT[1/]	NAV	NAV	NAV	NAV	NAV	NAV
TOTAL INTERIOR	96,706	31,065	127,771	---	---	---
AVERAGE INTERIOR	----	----	----	349	112	461
VANCOUVER	5,087	1,757	6,844	231	80	311
TOTAL	101,793	32,822	134,615	---	---	---

1/ Virtually all Interior
NAV = Not Available

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APPENDIX VIII

MINISTRY & LICENCEE GENERAL CONTRACTUAL OBLIGATIONS FOR COSTS FOR FOREST TENURES

DATE - MARCH '88

	TREE FARM LICENCE		FOREST LICENCE (FL)	LICENCES CUT & OTHER e.g.TL's	TIMBER SALE LICENCES					WOODLOT LICENCE	
					MAJOR		MINOR				
					Replacement		No Replacement				
					10,000+ AAC	10,000- AAC	SB_1	SB_2	Other		
	Private	Crown	Crown	Crown	Crown	Crown	Crown	Crown	Crown	Private	Crown
Basis of AAC: Area (A), Volume (V)	-	A	V	-	V	V	V	V	V	-	A
Relative Size of AAC: Coast $000M^3$	(200 - 3300)		Up to 600	variable	10 to	max 10	1 to 35	None	Up to 50	0.5 to 5.0	
Interior $000M^3$				"							
Apportioned AAC: %	-	25.0	54.8	-	-	-	5.4	1.9	2.2	0.5 to 2.0	
1.0 CONDITIONS											
Small Operator Indicator - eliminated Oct 1/87	-	-	-	-	-	-	-	-	-	-	-
Stud Mill Concession: Cat 1 (100%)	-	-	x	-	(x)	-	-	-	-	-	-
Cat 2 (Partial)	-	-	Few	-	-	-	-	-	-	-	-
2.0 COSTS											
1. Supervision, Management & Misc. OH (-Ministry assumed many OH items)	L	L	L	L	L	L	M	M	M	L	L
2. Timber taxation											
- Tax on private lands - pend. rates	L	-	-	-	-	-	-	-	-	L	-
- Stumpage incl. of royalty	-	L	L	L	L	L	L	L	L	-	L
- Land rent	-	-	-	L	-	-	L	L	L	-	-
- Volume rent (AAC)	-	L	L	TL's L	L	L	-	-	-	-	L
3. Forest Inventory & Cruising	L	L	L	(L)	L	M	M	M	M	L	L
4. Forest Management	L	L	L	M	L	M	M	M	M	L	L
5. Engineering	L	L	L	(L)	L	M	M	M	M	L	L
6. Roads: Main	L	L	L	L	L	M	M	M	M	L	L
Secondary & other	L	L	L	L	L	L	L	L	L	L	L
Maintenance	L	L	L	L	L	L	L	L	L	L	L
ROW access	L	L	L	L	L	M	M	M	M	L	L
7. Logging	L	L	L	(L)	L	M	M	M	M	L	L
8. Silviculture: Basic Bill 70	L	(L)	(L)	(L)	M	M	M	M	M	M	(L)
Intensive	L	L	L	L	L	M	M	M	M	L	L
9. Slash disposal	L	L	L	L	L	L	L	L	L	L	L
10. Fire Protection											
3.0 OTHER CONSIDERATIONS											
1. Estimated Economy of Scale	-	-	-	Nil	-	Nil	Nil	Nil	-	Nil	Nil

LEGEND

x	CONTRACTUAL OBLIGATION
(x)	VARIABLE OBLIGATION
M	MINISTRY COST
L	LICENCE COST
(L)	VARIABLE COST

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APPENDIX IX

BASES FOR STUMPAGE APPRAISAL & MARKETING

TREE FARM LICENCE		FOREST LICENCE (FL)	LICENCES CUT & OTHER e.g.TL's	TIMBER SALE LICENCES					WOODLOT LICENCE	
				MAJOR		MINOR				
				Replacement		No Replacement				
Private	Crown	Crown	Crown	10,000+ AAC Crown	10,000- AAC Crown	SB_1 Crown	SB_2 Crown	Other Crown	Private	Crown
NA	x	x	x	x	x	x	x	x	NA	x
NA	x	x	x	x	x	x	NA	x	NA	x
NA	x	x	x	x	x	x	x	x	NA	x
NA	NA	x	(x)	(x)	(x)	NA	NA	NA	NA	NA
x	x	x	x	x	x	x	x	x	x	x
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
x	x	x	x	x	x	x	x	x	x	x
NA	NA	NA	(x)	NA	NA	x	x	x	NA	Neg 2/
NA	Neg	Neg	Neg	Neg	Neg	NA	NA	NA	NA	Neg
x	x	x	x	x	x	NA	x	x	NA	NA
x	x	x	x	x	x	x	NA	x	x	x
x	x	x	x	x	x	x	NA	x	x	x
x	x	x	(x)	x	x	NA	x70%	NA	NA	NA
NA	NA	(x)	(x)	x	x	x	NA	x	x	x
x	x	x	x	x	x	x	x30%	x	x	x

1.0 APPRAISAL
Timber is appraised to specific destinations:

1.1 PRODUCT STANDARDS
Coast — Sawlog & Pulplog
Interior — Lumber & Chips (End Product)
(Stud Mill Concession)

1.2 UTILIZATION STANDARDS
Coast — 6" top dib (mature)
4" top dib (immature) 1/
Interior — 4" top dib (close U)

1.3 STUMPAGE VALUES:
Competitive Auction
Non-Competitive (Negotiated - Neg.)

2.0 ACTUAL MARKET USE
Coast: Inhouse
Log
Export (By Procedures)
(Harvested Timber)
Interior: Inhouse
Competitive Log
Export (By Procedures)

LEGEND
NA — Not Applicable
x — Applicable
(x) — Variable

1/ Partially enforced
2/ + possible bonus bid

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APPENDIX X

APPROXIMATE STUMPAGE PRICES BEFORE AND AFTER COMPARATIVE VALUE PRICING FOR ALL FOREST REGIONS

FOREST TENURE	BEFORE[1] CVP $/M³	AFTER[2] CVP $/M³
FOREST LICENCE	2.32	6.98
TREE FARM LICENCE	2.99	10.04
LICENCE TO CUT	2.49	10.38
TIMBER SALE LICENCE - MAJOR	3.12	14.37
TIMBER SALE LICENCE - MINOR	6.03	12.30
WOODLOT LICENCE	1.73	9.16

[1] Unweighted billings from Nov 1/86 to Oct 30/87

[2] Estimated from CVP Appraisals

APPENDIX XI

COMPARISION OF RELATIVE PROFIT MARGINS TO LICENCES USING SAME LOGGING COSTS AND STUMPAGE RATES FOR WOODLOTS AND SMALL BUSINESS SALES

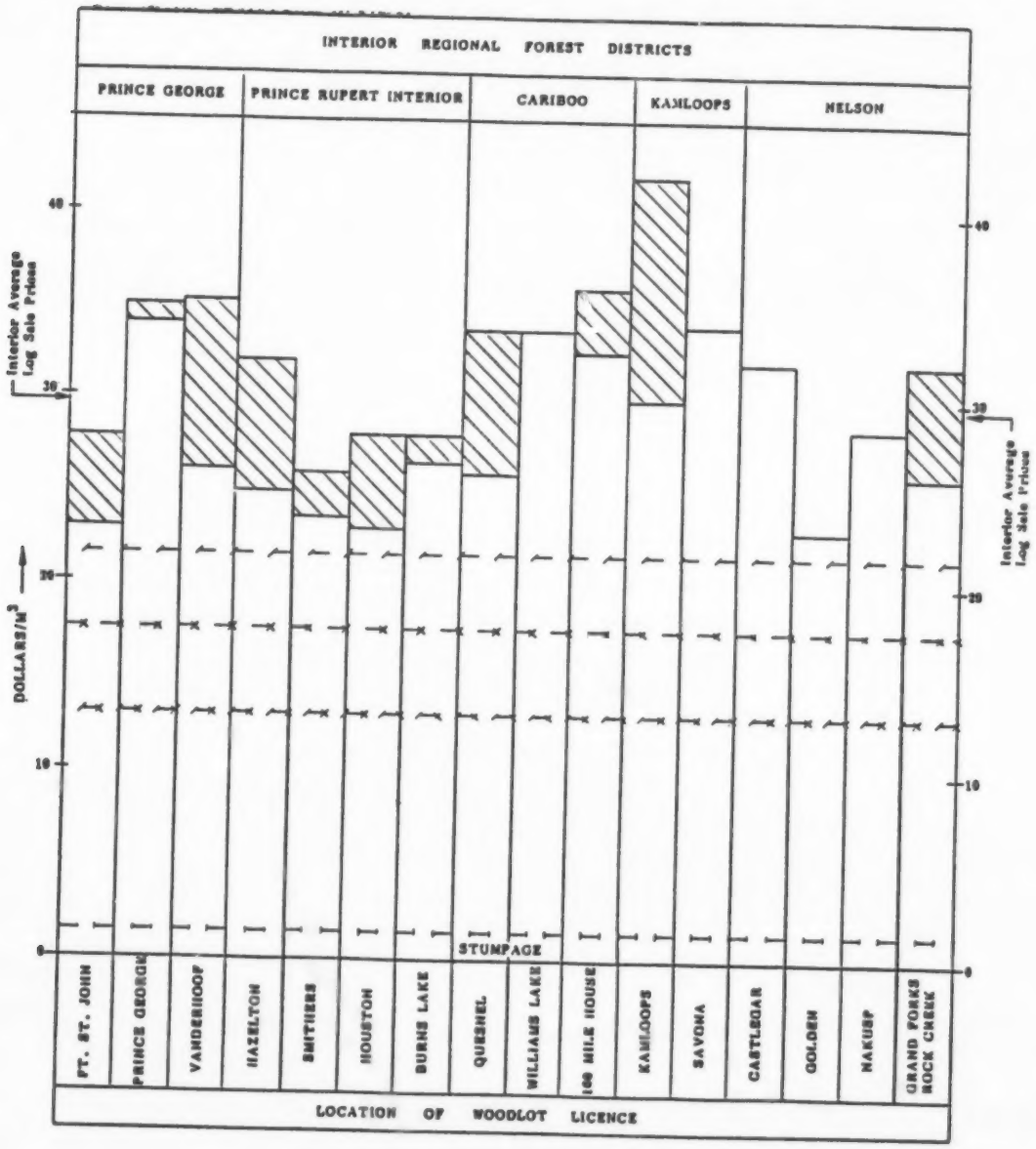
	WOODLOT $/M3		WOODLOT AS SBEP SALE $/M3	
1. BASED ON MINIMUM STUMPAGE				
GROSS ANNUAL INCOME		30.00		30.00
LESS ANNUAL EXPENSES				
Woodlot Management Plan	.70		--	
Hand Felling	1.50		1.50	
Bucking	1.30		1.30	
Skidding	3.50		3.50	
Landing & Loading	4.00		4.00	
Main Road Construction	.18		--	
Road Maintenance	.89		.89	
Trucking	3.30		3.30	
Silviculture	11.37		--	
SUB-TOTAL	26.74	26.74	14.49	14.49
NET MARGIN FOR P&R & O.H.		3.26		15.51
LESS STUMPAGE		1.25		1.25
NET MARGIN FOR P&R & O.H.		2.01		14.26
2. BASED ON AVERAGE STUMPAGE FOR SBEP SALES OF $4.80/M³				
NET MARGIN FOR P&R & O.H.		(1.54)		10.71
3. BASED ON COMPARATIVE VALUE PRICING STUMPAGE OF $13.00/M³				
NET MARGIN FOR P&R & O.H.		(9.74)		2.51

APPENDIX XII

INTERIOR STUMPAGE & LOGGING COSTS & LOG SALE PRICES

FOR

WOODLOT LICENCES BEFORE COMPARATIVE VALUE PRICING



LEGEND

SKIDDING & LOADING OPERATIONS

UPPER - SELECTIVE LOGGING

UPPER - CLEAR CUT LOGGING

LOW - SELECTIVE & CLEAR CUT LOGGING

STUMPAGE

RANGE OF LOG SELLING PRICES

NOTE: Indicated margins for "Trucking, silviculture, overhead and profit & risk" lie between the "Skid & load" costs and the Log Sale prices.

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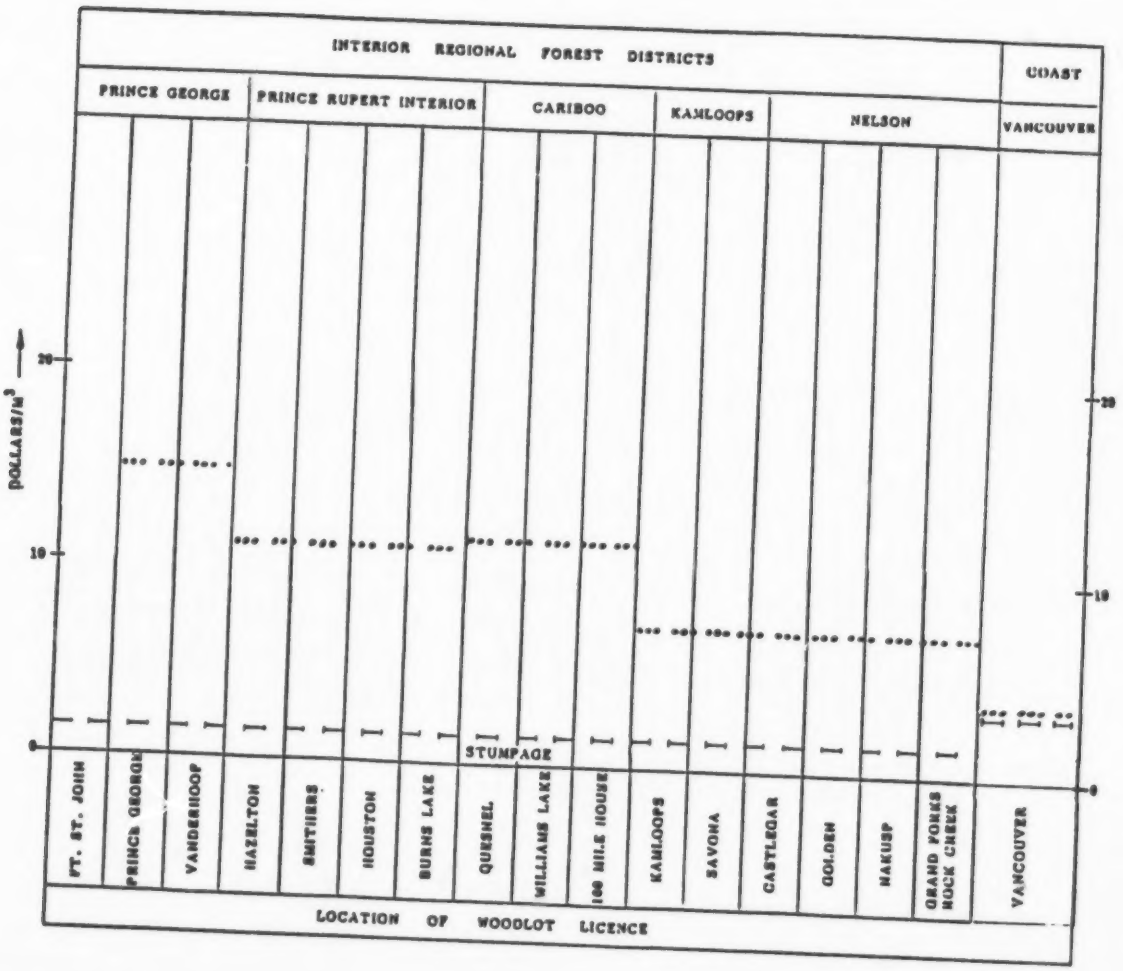
APPENDIX XIII

APPROXIMATE APPRAISED STUMPAGE COSTS ON WOODLOT LICENCES BEFORE AND AFTER COMPARATIVE VALUE PRICING



LEGEND

••• ••• After CVP

⊢⊣ ⊢⊣ Before CVP

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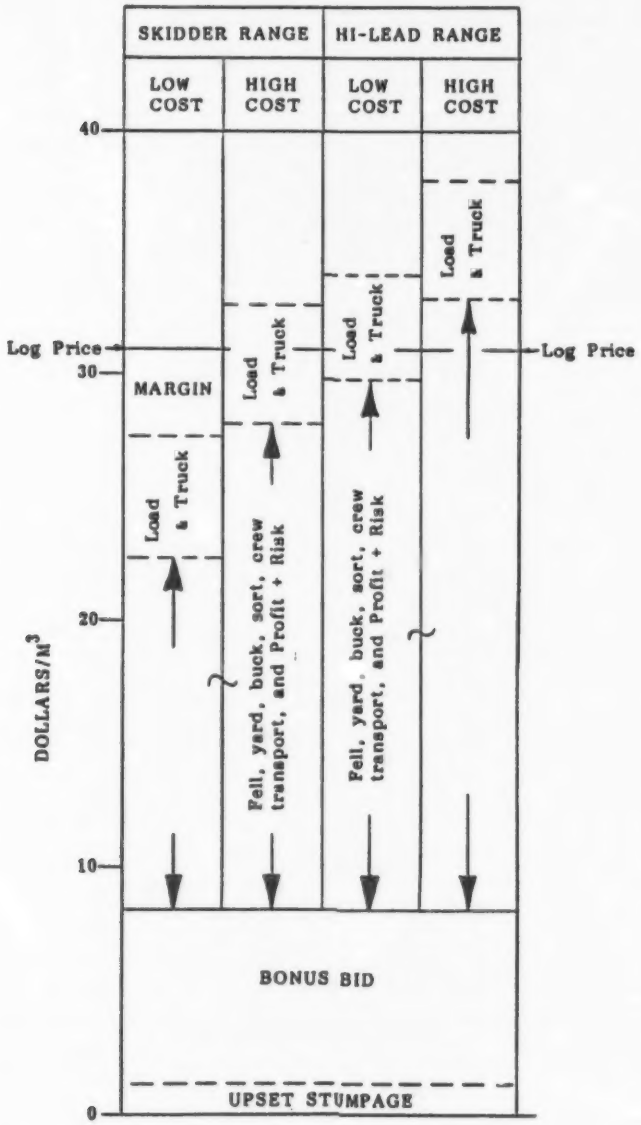
APPENDIX XIV

COMPARISON OF COAST OPERATING COSTS WITH LOG SALE PRICES

FOR

VANCOUVER ISLAND MOF THINNING SALE [1/]



[1/] SALE IS IN TIMBER TYPES SIMILAR TO TWO PROPOSED WOODLOT LICENCES

APPENDIX XV

FOREST DISTRICT WORKLOAD AND COST

WITH

WOODLOT LICENCE PROGRAM

The Boundary Forest District reported its workload and costs. On the basis of this example (attached) it would appear that the full time effort of 1 man is required to service 20 to 25 Woodlots, once they have been awarded.

The Ministry service cost of salaries and vehicles on this basis approximates $1,000 per Woodlot per year.

The workload for the initial year where the preliminary work was involved is reported to increase threefold. Thus one man can only handle 6 to 7 new applications. Therefore the Ministry service cost of salaries and vehicles would approximate $3,000 per Woodlot per year.

The indicated cost per Woodlot to the Ministry for the first 5 year cutting permit = $3,000 + 4($1,000) = $7,000.

If the average Interior Woodlot has 1000 AAC, the cost per M^3 approximates $7,000/5,000$M^3$ = $1.40/$M^3$.

EXTRACT FROM THE BOUNDARY DISTRICT MANAGER'S LETTER

A. Local Program Demand

District was fully committed of initial apportionment of Woodlot Licence volume in 1986 (13 Woodlot Licences). Local demand and pressure by district woodlot association resulted in an increase in apportionment of a further 0.5 percent of A.A.C. volume (Dec. 87). The demand for these woodlots (5-6 will be issued) is substantial. We presently have 28 serious application based woodlot licence proposals on our files.

B. Ministry Workload and Costs

1) Normal workload (Review of areas, advertise, award and process of C.P. document, logging operations, etc.)

= 80 man days/year (13 woodlots)
Associated costs (salaries, vehicles) = $13,200.00

These figures represent the steady state nature of our program for the past 2 years where most of the woodlot licences have active cutting permits. The workload increases three fold for the initial year where the preliminary work is involved.

2) Ministry extension - workload and costs.

- The average documented workload for the past two years is 40 man days/year.
- Associated cost (salaries, vehicles) = $6,600.00

The F.T.E. equivalent for normal and extension workload amounts to .5 F.T.E. or six (6) months.

APPENDIX XVI

COMMON CONCERNS OF MINISTRY & WOODLOT LICENSEES

WOODLOT AAC
- include aspen

AWARDING PROCEDURES
- need amending
- no land contribution unfair
- pre bid conference
- bonus bidding
- emphasize forestry instead of dollars
- application in form of a proposal

WORKLOAD & COSTS

STUMPAGE
- Royalty rates
- high up-front costs
- will be uneconomical with CVP
- appraised on specific Woodlot's merits
- economies of scale
  - Small Operator Indicator
  - want a sawmill

MANAGEMENT
- flexible cut control
  - MOF say 3 year maximum
- forest inventory data
- rewards for good forestry

LOG MARKETS

SEEDLINGS

SUCCESSION & TRANSFER
- land committed to Woodlot Licence
- replace with as good or better forest land

EXTENSION SERVICES
- more counselling
- technical and professional services

SELECTION OF LICENCE AREAS
- keep to agriculture belt

APPENDIX XVII

GLOSSARY

WOODLOT LICENCE (WL)	-	small area-based forest tenure
SMALL BUSINESS ENTERPRISE SALE (SBEP) - (SBE) SALE	-	relatively small volume-based forest tenure
TIMBER SALE (TS)	-	volume-based forest tenure
FOREST LICENCE (FL)	-	large volume-based forest tenure
TREE FARM LICENCE (TFL)	-	large area-based forest tenure
CUTTING PERMIT (CP)	-	Licence specifying areas and volumes for harvesting
ANNUAL ALLOWABLE CUT (AAC)	-	planned rate of harvest for a specific area or tenure
FOREST REGION	-	Forest Administration Region
FOREST DISTRICT	-	Division of FOREST REGION
STUMPAGE	-	payment to Crown for timber
STUMPAGE APPRAISAL	-	method of assessing the value of timber
COMPARATIVE VALUE PRICING (CVP)	-	method of assessing stumpage

ABBREVIATIONS

cm	Centimeter
Ha	Hectare
M^3	Cubic meters
IAND	Indian Affairs & Northern Development

BAKEWELL RECOMMENDATIONS
AND
FOREST SERVICE RESPONSES

BAKEWELL RECOMMENDATION:

THE ORIGINAL OBJECTIVES OF THE WOODLOT LICENCE PROGRAM ARE STILL APPLICABLE. WITH MINOR AMENDMENTS AND EMPHASIS ON PRIORITIES, THE OBJECTIVES CAN CONTINUE TO PROVIDE GUIDELINES FOR AWARDING MORE WOODLOT LICENCES.

MINISTRY RESPONSE:

THE WOODLOT LICENCE PROGRAM MEETS THE ESTABLISHED OBJECTIVES.

THESE OBJECTIVES ARE:

- TO INCREASE THE AMOUNT OF PRIVATE FOREST LAND UNDER SUSTAINED YIELD MANAGEMENT AND TO IMPROVE THE PRODUCTIVITY OF THAT LAND.
- TO IMPROVE THE PRODUCTIVITY OF SMALL PARCELS OF CROWN FOREST LAND.
- TO INCREASE THE OPPORTUNITIES FOR PRIVATE CITIZENS TO BECOME DIRECTLY INVOLVED IN SMALL-SCALE FOREST MANAGEMENT OPERATIONS.

BAKEWELL RECOMMENDATION:

THE AWARDING OF WOODLOT LICENCES ON THE BASIS OF BONUS BIDS SHOULD BE ABOLISHED.

MINISTRY RESPONSE:

THE PROVISION FOR THE SUBMISSION OF BONUS OFFERS IS IN THE FOREST ACT. WHEN THE DISTRICT MANAGER IS UNABLE TO DETERMINE A SUCCESSFUL APPLICANT THROUGH THE EVALUATION PROCEDURES, BONUS OFFERS WILL BE USED TO DETERMINE THE SUCCESSFUL APPLICANT. OF THE 450 WOODLOT LICENCES AWARDED, VERY FEW WERE SUBJECT TO BONUS OFFERS.

BAKEWELL RECOMMENDATION:

THE WOODLOT LICENCE IS A UNIQUE FORM OF TENURE AND MUST BE TREATED ON ITS OWN MERITS.

MINISTRY RESPONSE:

THE WOODLOT LICENCE SHARES MANY ASPECTS OF OTHER FORMS OF TENURE AND MUST, THEREFORE, BE TREATED IN A CONSISTENT MANNER. WHERE UNIQUE FEATURES EXIST, MANAGEMENT WILL BE UNIQUE.

WOODLOT LICENCES ARE A MEANS OF SELLING CROWN TIMBER AND MANAGING FOREST LAND, AS ARE OTHER FORMS OF TENURE. COMPARISONS BETWEEN THE VARIOUS FORMS OF TENURE ARE VALID AND ESSENTIAL, AND SERVE TO IDENTIFY TENURE TYPES WHICH MOST ADVANCE THE GOVERNMENT'S OBJECTIVES.

THE NOTION THAT A WOODLOT LICENCE IS PRINCIPALLY AN INCOME SUPPORT MECHANISM IS INCORRECT.

BAKEWELL RECOMMENDATION:

THE WOODLOT LICENCE SHOULD NOT BE COMPARED WITH OTHER TENURES.

MINISTRY RESPONSE:

WOODLOT LICENCES ARE NOT INTENDED TO BE A MAJOR SOURCE OF INCOME FOR THE LICENSEE. RATHER, THE INTENT OF THE PROGRAM IS TO PROVIDE SMALL-SCALE FORESTRY OPPORTUNITIES. THE WOODLOT LICENCE SHARES MANY ASPECTS OF OTHER FORMS OF TENURE AND MUST, THEREFORE, BE TREATED IN A CONSISTENT MANNER.

AS WITH ALL OTHER FORMS OF TENURE, THE STUMPAGE APPRAISAL RECOGNIZES THE COSTS OF VARIOUS CONTRACTUAL OBLIGATIONS.

BAKEWELL RECOMMENDATION:

THE SIZE LIMIT OF 400 HECTARES SHOULD BE AMENDED TO BE 400 HECTARES OF PRODUCTIVE FOREST LAND.

MINISTRY RESPONSE:

WOODLOT LICENCE BOUNDARIES ARE DETERMINED TO FORM A LOGICAL LAND MANAGEMENT UNIT.

THE SIZE LIMIT OF 400 HECTARES OF CROWN LAND SHALL REMAIN IN PLACE. THE FOREST ACT DOES NOT ALLOW A LARGER AREA OR ADJUSTMENTS TO THE SIZE OF EXISTING LICENCES.

BAKEWELL RECOMMENDATION:

WOODLOT LICENCES HAVING POOR DISTRIBUTION OF AGE CLASSES OR WITHDRAWALS FOR ENVIRONMENTAL CONSTRAINTS SHOULD BE AMENDED BY SUBSTITUTING A BETTER DISTRIBUTION OF PRODUCTIVE FOREST TYPES FROM NEIGHBOURING AREAS.

MINISTRY RESPONSE:

THIS RECOMMENDATION CANNOT BE IMPLEMENTED. SIGNIFICANT REVISIONS TO EXISTING LICENCES WOULD, ESSENTIALLY CREATE NEW LICENCES AND, IN THE PROCESS, EXCLUDE INTERESTED PEOPLE FROM APPLYING FOR THE NEW LICENCE.

PRODUCTIVE FOREST LAND IS MAXIMIZED IN THE CROWN PORTION OF A WOODLOT LICENCE; HOWEVER, AGE CLASS IMBALANCES MAY BE PRESENT. MANAGEMENT METHODS TO DEVELOP A NORMAL FOREST WITH AN IMPROVED AGE CLASS DISTRIBUTION SHOULD BE ADDRESSED IN THE LICENSEE'S MANAGEMENT AND WORKING PLAN.

THE FOREST ACT PROVIDES FOR COMPENSATION TO WOODLOT LICENCE HOLDERS IN A MANNER SIMILAR TO THAT FOR OTHER LICENCE HOLDERS, IF THE ALLOWABLE ANNUAL CUT REDUCTION EXCEEDS 5% FOR CERTAIN LAND WITHDRAWALS.

BAKEWELL RECOMMENDATION:

THE CUT CONTROL FOR A WOODLOT LICENCE SHOULD BE RIGIDLY ENFORCED, WITH THE MAXIMUM CUT CONTROL PERIODS BEING NO LONGER THAN 3 YEARS DURING PERIODS OF DISTRESS MARKETS, ADVERSE OPERATING CONDITIONS, OR LICENSEE DIFFICULTIES.

MINISTRY RESPONSE:

BAKEWELL HAS SOME MISINFORMATION ON CUT CONTROL. A 5-YEAR PERIODIC CUT CONTROL IS LEGISLATED FOR ALL WOODLOT LICENCES; THERE IS NO ANNUAL CUT CONTROL REQUIREMENT. FURTHER, BAKEWELL DOES NOT PROVIDE A CONVINCING CASE FOR A CHANGE TO THIS LEGISLATION.

BAKEWELL RECOMMENDATION:

STUMPAGE APPRAISALS FOR WOODLOT LICENCES SHOULD BE SITE SPECIFIC WITH AUDITED COSTS.

MINISTRY RESPONSE:

STUMPAGE APPRAISALS ARE SITE SPECIFIC, RECOGNIZING DIFFERING LICENCE RESPONSIBILITIES, OPERATING CONDITIONS, AND TIMBER QUALITY. LOGGING COST ESTIMATES WILL REFLECT THE SPECIFIC CONDITIONS, INCLUDING THE SIZE OF THE OPERATION.

STUMPAGE RATES FOR ALL CROWN TIMBER DEPEND UPON RELATIVE TIMBER VALUES. BY THEIR VERY NATURE, STUMPAGE CHARGES IN ALL JURISDICTIONS ARE TIED TO TIMBER QUALITY AND LOCATION AND ARE ESTABLISHED BEFORE TIMBER IS HARVESTED. IT IS THE MINISTRY'S POSITION THAT A GIVEN STAND OF TIMBER OUGHT TO COMMAND THE SAME STUMPAGE RATE NO MATTER TO WHOM IT MAY BE SOLD. ANY LONG TERM PROGRAM OF SELLING A CROWN ASSET WITH PREFERENTIAL PRICES TO ONLY SOME LICENSEES WOULD BE UNFAIR TO OTHERS.

INCOME TAX SYSTEMS OPERATE ON THE BASIS OF EXPERIENCED, AUDITABLE REVENUES AND COSTS; STUMPAGE SYSTEMS DO NOT. INSTEAD, THE LATTER, BY THEIR VERY NATURE, RELY UPON FORECASTS OF PRODUCT VALUES AND OPERATING COSTS. THE MINISTRY WILL MAKE A SPECIAL EFFORT TO SECURE COST DATA FROM WOODLOT LICENSEES TO HELP IN THE SITE-SPECIFIC FORECASTING OF VALUES AND COSTS OF SMALL-SCALE OPERATIONS.

BAKEWELL RECOMMENDATION:

THE MINISTRY SHOULD CONSIDER SETTING FIXED STUMPAGE RATES FOR THE INITIAL 5-YEAR CUTTING PERMIT.

MINISTRY RESPONSE:

DEPENDING UPON THE LEVEL OF THE STUMPAGE RATES, FIXING THEM FOR ANY PARTICULAR PERIOD IS NEITHER FAVOURABLE NOR HARMFUL TO LICENSEES OR THE CROWN. AS OFTEN AS NOT, FOREST PRODUCT VALUES ARE FALLING RATHER THAN RISING AND THE CURRENT APPRAISAL SYSTEM AUTOMATICALLY REDUCES STUMPAGE RATES IF THE RELATIVE VALUE OF A PARTICULAR STAND DECLINES. SUCH ADJUSTMENTS OCCUR FOUR TIMES EACH YEAR AND SIMPLY FIXING A GIVEN STUMPAGE RATE WOULD PROBABLY BE AS HARMFUL AS BENEFICIAL OVER TIME.

THE 5-YEAR PERIODIC CUT CONTROL USED FOR ALL WOODLOT LICENCES ALLOWS THE LICENSEE FLEXIBILITY TO RESPOND TO CHANGING MARKET CONDITIONS.

BAKEWELL RECOMMENDTION:

THE AAC OF FARM WOODLOTS ROLLED-OVER TO WOODLOT LICENCES SHOULD BE INCREASED TO MANAGEABLE ECONOMIC SIZES.

MINISTRY RESPONSE:

FARM WOODLOTS WERE NEVER INTENDED TO BE LARGE MANAGED FOREST AREAS; AS SUCH, THEY WOULD NEVER ENJOY ECONOMICS OF SCALE.

SIGNIFICANT REVISIONS TO EXISTING WOODLOT LICENCES WHICH WERE PREVIOUSLY FARM WOODLOTS WOULD, ESSENTIALLY, CREATE NEW LICENCES AND, IN THE PROCESS, EXCLUDE INTERESTED PEOPLE FROM APPLYING FOR THE NEW LICENCE.

A HOLDER OF A WOODLOT LICENCE, THAT WAS PREVIOUSLY A FARM WOODLOT, DESIRING A LARGER AAC HAS THE OPPORTUNITY TO CANCEL HIS WOODLOT LICENCE AND COMPETE FOR ONE WITH A LARGER AAC.

BAKEWELL RECOMMENDATION:

THE MINISTRY SHOULD ENCOURAGE THE FORMATION OF WOODLOT LICENCE ASSOCIATIONS TO PROVIDE EDUCATIONAL, TECHNICAL, AND MARKETING SERVICES.

MINISTRY RESPONSE:

WOODLOT ASSOCIATIONS PROVIDE VALUABLE SERVICES AND THEIR FORMATION WILL BE ENCOURAGED.

BAKEWELL RECOMMENDATION:

THE EXTENSION PROGRAM SHOULD BE EXPANDED IMMEDIATELY FOR INSTRUCTING LICENSEES ON BASIC TECHNICAL SUBJECTS NEEDED TO ENSURE GOOD FORESTRY PRACTICES COMPATIBLE WITHIN ENVIRONMENTAL, ECONOMIC, AND REGULATORY LIMITS.

MINISTRY RESPONSE:

EXTENSION SERVICES WILL BE PROVIDED AT AN INCREASED LEVEL BY THE MINISTRY. WOODLOT ASSOCIATIONS CAN ALSO BE EFFECTIVE IN IDENTIFYING THE NEEDS FOR AND PROVISION OF EXTENSION SERVICES.

THE FOREST SERVICE SHALL PROVIDE ADVICE AND STAFF ASSISTANCE, UPON REQUEST FROM AN APPLICANT OR LICENSEE, FOR THE:

- APPLICATION FOR A WOODLOT LICENCE;
- PREPARATION OF A MANAGEMENT AND WORKING PLAN;
- PREPARATION OF A PRE HARVEST SILVICULTURAL PRESCRIPTION;
- APPLICATION FOR A CUTTING PERMIT;
- PREPARATION OF ANNUAL REPORTS;
- PLANNING OF INVENTORIES AND RE-INVENTORIES;
- PLANNING OF OPERATIONAL CRUISING AND LAYOUT;
- HARVESTING PLANS;
- BASIC AND INTENSIVE SILVICULTURE PLANS; AND,
- FIRE AND PEST MANAGEMENT PLANS

THESE SERVICES WILL BE PROVIDED DURING:

- WOODLOT LICENCE ASSOCIATION MEETINGS;
- LICENSEE VISITS TO FOREST SERVICE OFFICES; AND,
- REGULAR INSPECTION VISITS TO WOODLOT LICENCES.

BAKEWELL RECOMMENDATION:

THE MINISTRY SHOULD ASSIGN A SENIOR FORESTER-EQUIVALENT TO EXTENSION SERVICES FOR EACH 50 WOODLOT LICENCES, AT A COST OF $50,000 EACH ANNUALLY.

MINISTRY RESPONSE:

ADDITIONAL STAFFING SHALL BE MADE AVAILABLE TO PROVIDE MORE EXTENSION SERVICES. WOODLOT ASSOCIATIONS CAN ALSO PLAY A MAJOR ROLE IN ORGANIZING THE PROVISION OF MANY OF THE SERVICES.

BAKEWELL RECOMMENDATION:

THE MINISTRY SHOULD EXPAND THE WOODLOT LICENCE PROGRAM ON A FOREST DISTRICT OR LOCALITY BASIS RATHER THAN ON A BLANKET PROVINCE-WIDE BASIS.

MINISTRY RESPONSE:

WOODLOT LICENCE PROGRAMS WILL BE EXPANDED ON A TIMBER SUPPLY AREA BASIS, DEPENDING UPON GENUINE DEMAND AND AVAILABILITY OF SUITABLE AREAS. THE BOUNDARIES OF MOST OF THE TIMBER SUPPLY AREAS CORRESPOND WITH THE BOUNDARIES OF FOREST DISTRICTS.

BAKEWELL RECOMMENDATION:

THE PROGRAM SHOULD BE EXPANDED ON A LOCAL BASIS WHERE APPLICANTS MEET THE AWARDING CRITERIA AND WOODLOT LICENCES ARE POTENTIALLY VIABLE.

MINISTRY RESPONSE:

WOODLOT PROGRAMS HAVE BEEN EXPANDED ON A TIMBER SUPPLY AREA BASIS. THE NUMBER OF ELIGIBLE APPLICANTS AND THE AVAILABILITY OF AREAS VARIES BETWEEN LOCALES.

BAKEWELL RECOMMENDATION:

THE MINISTRY SHOULD CONSIDER THE IMPACTS OF STAFF WORKLOADS WHEN EXPANDING THE WOODLOT LICENCE PROGRAM AND SHOULD SUPPLEMENT STAFFS AND BUDGETS.

MINISTRY RESPONSE:

THE IMPACT OF EXPANDED WOODLOT LICENCE PROGRAMS UPON STAFF WORKLOAD IS IMPORTANT. STAFF WITH THE NECESSARY EXPERTISE WILL BE MADE AVAILABLE TO SUCCESSFULLY DELIVER AN EXPANDED WOODLOT LICENCE PROGRAM.

BAKEWELL RECOMMENDATION:

THE MINISTRY SHOULD ENCOURAGE MARKETING OF SALVAGE TIMBER, LOW QUALITY LOGS AND STAND IMPROVEMENT BY ASSESSING MINIMUM STUMPAGES.

MINISTRY RESPONSE:

STUMPAGE RATES VARY CONSIDERABLY DEPENDING UPON BOTH TIMBER QUALITY AND OPERATING CONDITIONS. STUMPAGE RATES SHOULD ALWAYS BE DETERMINED BY OBJECTIVELY ASSESSING THE SITE SPECIFIC FACTORS AFFECTING TIMBER QUALITY AND OPERATING COSTS. THE APPRAISAL SYSTEM RECOGNIZES THE LOWER VALUE OF TIMBER THAT HAS BEEN AFFECTED BY WIND, FIRE, INSECTS, OR DISEASE AND THE MINISTRY CONTINUALLY COLLECTS AND ANALYZES DATA RELATED TO DAMAGED TIMBER VALUES. AS MENTIONED EARLIER, THE MINISTRY IS ALWAYS PLEASED TO RECEIVE INFORMATION THAT WILL HELP IN THE OBJECTIVE ASSESSMENT OF TIMBER VALUES.

BAKEWELL RECOMMENDATION:

THE TIMBER UTILIZATION STANDARDS ON WOODLOT LICENCE CONTRACTS SHOULD BE COMPATIBLE WITH THE MARKETING OPPORTUNITIES FOR THE PRODUCTION.

MINISTRY RESPONSE:

UTILIZATION STANDARDS ARE SET BY THE MINISTRY TO REFLECT, IN A BROAD SENSE, MARKET CONDITIONS AND OPPORTUNITIES. UTILIZATION STANDARDS ARE APPLIED IN A CONSISTENT MANNER OVER LARGE AREAS, SO THAT ALL LICENSEES ARE SUBJECT TO SIMILAR RULES. THE MINIMUM REQUIRED STANDARD OF UTILIZATION MUST ALSO BE IN HARMONY WITH THE ALLOWABLE ANNUAL CUT.

BAKEWELL RECOMMENDATION:

THE MINISTRY SHOULD DESIGN A FINANCIAL RECORDING SYSTEM SPECIFICALLY FOR WOODLOT LICENCES.

MINISTRY RESPONSE:

OVER MANY YEARS, THE MINISTRY HAS ATTEMPTED TO SECURE FROM SMALL OPERATORS USEABLE FINANCIAL DATA THAT CAN BE TIED TO SITE-SPECIFIC TIMBER QUALITY AND OPERATING CONDITIONS. THE EXPERIENCE HAS BEEN VERY POOR BECAUSE SMALL LICENSEES RARELY HAVE THE FINANCIAL EXPERTISE TO RECORD PHASE COST AND OTHER SITE-SPECIFIC DATA IN THE DETAIL NECESSARY FOR STUMPAGE APPRAISALS. NEVERTHELESS, THE MINISTRY IS VERY WILLING TO INCLUDE WOODLOT LICENSEES WITHIN ITS ANNUAL OPERATING COST SURVEYS AND WILL MAKE A SPECIAL EFFORT TO ENSURE THAT THEY ARE INCLUDED. THE FORMS USED IN THOSE SURVEYS CAN BE OBTAINED FROM THE VALUATION SECTION IN EACH REGIONAL OFFICE.

BAKEWELL RECOMMENDATION:

WOODLOT LICENSEES SHOULD BE OBLIGATED TO KEEP FINANCIAL RECORDS IN THE APPROVED RECORDING SYSTEM FOR EASY AUDITING OF COSTS.

MINISTRY RESPONSE:

ALTHOUGH THE THE MINISTRY CAN REQUIRE LICENSEES TO KEEP ACCURATE RECORDS, THE PROVISION OF SUCH DATA TO THE MINISTRY IS EFFECTIVELY VOLUNTARY. AS STATED ABOVE, WOODLOT LICENSEES ARE WELCOME TO SUBMIT COST AND VALUE INFORMATION TO THE MINISTRY PROVIDED THAT IT IS IN A USEABLE FORM.

BAKEWELL RECOMMENDATION:

THE SMALL OPERATOR INDICATOR SHOULD BE RESTORED IMMEDIATELY TO APPRAISALS.

MINISTRY RESPONSE:

THE "SMALL OPERATOR INDICATOR" WILL NOT BE RESTORED; ITS APPLICATION WAS ENTIRELY ARBITRARY AND WOULD NOT BE APPROPRIATE IN THE COMPARATIVE VALUE PRICING SYSTEM. THE MINISTRY'S POLICY IS TO DETERMINE THE RELATIVE VALUE OF EACH STAND OF TIMBER IN THE SAME WAY FOR ALL LICENSEES. RECOGNITION WILL, HOWEVER, BE GIVEN TO THE SIZE OF EACH CUTTING AUTHORITY IN THE PRICING FORMULA, TO THE EXTENT THAT VERIFIABLE DATA CAN SUPPORT APPRAISAL COSTS. THE MINISTRY NEEDS AND WELCOMES SOLID DATA IN ORDER TO QUANTIFY COSTS ON SMALL CUTTING AUTHORITIES, NO MATTER UNDER WHAT FORM OF TENURE THEY MAY BE ISSUED.

BAKEWELL RECOMMENDATION:

A WOODLOT LICENCE STUMPAGE APPRAISAL SYSTEM SHOULD BE DESIGNED USING AS ITS MARKET BASE THE SELLING PRICES OF LOGS.

MINISTRY RESPONSE:

THERE NEVER HAS BEEN A SUFFICIENT VOLUME OF ARMS-LENGTH LOG SALES IN THE INTERIOR TO SUPPORT A LOG-BASED APPRAISAL SYSTEM. HOWEVER, AS THAT MARKET EXPANDS, THE MINISTRY WILL INVESTIGATE THE POSSIBILITY OF TYING TIMBER VALUES TO LOG SALES.

IN THE MEANTIME, THE FIRST LEVEL OF ADEQUATE ARMS-LENGTH TRANSACTIONS OCCURS IN THE LUMBER MARKET SO THAT THE APPRAISAL SYSTEM FOR THE FORESEEABLE FUTURE WILL HAVE TO LINK THE VALUES OF STANDING TREES TO THE LUMBER AND CHIPS THAT CAN BE PRODUCED FROM THEM. ALL INTERIOR APPRAISALS INCLUDE THE ESTIMATED COSTS OF MILLING AS WELL AS OF LOGGING, HAULING, AND SILVICULTURE.

BAKEWELL RECOMMENDATION:

A STUDY SHOULD IMMEDIATELY BE MADE OF REPRESENTATIVE WOODLOT LICENCES TO DETERMINE ACTUAL OPERATIONAL COSTS OF SMALL LOGGING OPERATIONS.

MINISTRY RESPONSE:

OVER MANY YEARS, THE MINISTRY HAS ATTEMPTED TO SECURE FROM SMALL OPERATORS USEABLE FINANCIAL DATA THAT CAN BE TIED TO SITE-SPECIFIC TIMBER QUALITY AND OPERATING CONDITIONS. THE EXPERIENCE HAS BEEN VERY POOR BECAUSE SMALL LICENSEES RARELY HAVE THE FINANCIAL EXPERTISE TO RECORD PHASE COST AND OTHER SITE-SPECIFIC DATA IN THE DETAIL NECESSARY FOR STUMPAGE APPRAISALS.
NEVERTHELESS, THE MINISTRY IS VERY WILLING TO INCLUDE WOODLOT LICENSEES WITHIN ITS ANNUAL OPERATING COST SURVEYS. THE FORMS USED IN THOSE SURVEYS CAN BE OBTAINED FROM THE VALUATION SECTION IN EACH REGIONAL OFFICE.